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28 April 1960

# CURRENT INTELLIGENCE WEEKLY SUMMARY

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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## THE WEEK IN BRIEF

## PART I

OF IMMEDIATE INTEREST

## SOUTH KOREA . . . . . Page 1

Although no popular alternate leader to South Korea's former President Rhee has emerged, acting chief of state Ho Chong may become a power in his own right in the caretaker administration that will oversee new elections. Ho is a former prime minister and associate of Rhee who more recently has been at odds with the regime. He enjoys considerable popular prestige in Seoul, where he served as mayor in 1958-1959. The South Korean interim government is almost certain to require continued military support since the populace, encouraged by the success of mass action, probably will continue to be easily aroused to violence if its expectations are disappointed. If the members of Rhee's Liberal party in the National Assembly are successful in amending the electoral procedures to provide for indirect election of the president by the legislature, rather than direct election by the people, Rhee may attempt to succeed himself.

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## CUBA . . . . . Page 3

Although the Castro regime probably still retains the support of most Cubans, its drastic reforms are causing major disruptions in the economy, and the resulting economic pressures are turning increasing numbers of persons against it. Castro is responding to his mounting problems by using the United States more and more as a scapegoat. Cuba's efforts to propagandize its revolution abroad include invitations--particularly for the mammoth May Day celebrations--to numerous foreign delegations, including some from the Sino-Soviet bloc.

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## EAST-WEST RELATIONS . . . . . Page 5

Soviet moves to strengthen the USSR's position at the summit were highlighted by Khrushchev's speech on 25 April in which he sought to increase pressure for Western concessions on Berlin. Previewing his position on the major summit topics, Khrushchev accompanied his threat to sign a separate East German peace treaty with an elaboration of his standard claim that this would end all Allied rights in Berlin. Foreign Minister Gromyko, however, privately hinted that an interim agreement was still possible as an alternative to unilateral Soviet action.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****28 April 1960****PART I (continued)****NEHRU-CHOU TALKS . . . . . Page 7**

Six days of talks between Chou En-lai and Nehru have contributed little toward repairing the damage done to Sino-Indian relations by the border dispute. Substantive agreement seems more remote now that the two have met and shown themselves unwilling to compromise their basic positions. By providing for a fact-finding panel, however, the door is left open for further talks. Chou now is in Nepal to sign a friendship treaty. Nepalese leaders have said they will not include a clause barring Nepal from third-country defense alignments. [REDACTED]

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**TURKISH POLITICAL SITUATION WORSENS . . . . . Page 9**

Student rioting broke out in Istanbul on 28 April following passage by the government of new measures designed to restrict the activities of opposition leaders and the press. The rioting is taking place on the eve of the NATO meeting from 2 to 4 May. Within the ruling Democratic party of Adnan Menderes, there is a faction which has expressed opposition to some of the government's more extreme repressive measures. Should this faction break with the majority and join with the opposition deputies, the government would be in danger of falling. The army, traditionally aloof from Turkish politics, remains a potential key element in determining the outcome of the present crisis. [REDACTED]

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**PART II****NOTES AND COMMENTS****SOUTH AFRICA . . . . . Page 1**

The recent racial disturbances in South Africa have precipitated widespread discussion among the country's dominant Afrikaners regarding future policy. Relatively moderate Afrikaners are apparently attempting to soften some of the extreme aspects of apartheid but are strongly opposed by the community's more numerous conservative faction. If and when Prime Minister Verwoerd returns to power, he is likely to favor the conservative position. The South African situation will affect the tone of the Commonwealth prime ministers' meetings opening on 3 May, and some Commonwealth members may try to provoke South Africa into withdrawing. [REDACTED]

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**PART II (continued)****PEIPING AND MOSCOW CONTINUE DEBATE ON DETENTE WITH WEST . . . Page 2**

Major public statements by Chinese and Soviet propagandists in commemoration of Lenin's 90th birthday demonstrate the continuing sharp disagreement between Peiping and Moscow over the Soviet policy of detente with the West. The Chinese Communist party's top theoretical journal, Red Flag, has again emphasized that negotiations between the bloc and the West, regardless of their success in "reaching some sort of agreement," should not lead Communists to abandon their long-term struggle against the West. The major speech in Moscow, delivered by Soviet presidium member Otto Kuusinen, echoed Khrushchev's view that bloc countries should do nothing to jeopardize forthcoming negotiations in which, the USSR feels, the West will have no choice but to make accommodations to Soviet demands because of the shift in the balance of power.

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**SINO-SOVIET AGRICULTURAL SITUATION . . . . . Page 4**

Unfavorable weather in many important agricultural areas of the Sino-Soviet bloc has injured winter grain crops and delayed spring field work, particularly in the USSR, China, Poland, and East Germany. Prospects for the bloc as a whole are unfavorable unless better-than-average weather prevails during the remainder of the crop year and unless sown acreage can be expanded in some regions.

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**YUGOSLAVIA . . . . . Page 6**

At the fifth congress of the regime's mass political organization, the Socialist Alliance of the Working People of Yugoslavia (SAWPY), Yugoslav leaders attacked Western colonialism in a bid for greater influence over the uncommitted and underdeveloped countries. Although Tito restated Yugoslavia's determination to make no ideological compromise with the bloc, he did endorse the general line of Soviet foreign policies. Aleksandar Rankovic became Tito's most likely successor by replacing Edvard Kardelj as secretary general of SAWPY, which was assigned a more active role in local government affairs.

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**MIDDLE EAST HIGHLIGHTS . . . . . Page 7**

Arab trade unionists will initiate an extensive boycott of American ships and planes if picketing of the UAR freighter Cleopatra in New York has not been ended by 29 April. In Iraq, a major faction of the National Democratic party is planning to withdraw its support from the Qasim regime, thus leaving Qasim almost entirely dependent on the army. In Libya the increased strength of the opposition in parliament is adding to the pressures for changes in the Wheelus Air Base agreement.

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**PART II (continued)****ALGERIAN REBEL POLITICAL AND MILITARY ACTIVITY . . . . . Page 9**

The dispatch of a ministerial delegation to Communist China by the Algerian rebels is designed in part to pose to the West the threat of closer rebel relations with the bloc. The rebels probably hope also to obtain a commitment from Peiping concerning the delivery of military equipment. Meanwhile, military activity in Algeria has increased along the Tunisian and Moroccan borders, and the rebels may attempt a limited military offensive in concert with their diplomatic activity. [REDACTED]

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**GUINEA . . . . . Page 10**

A serious domestic crisis has developed in Guinea following an attempt by elements opposed to President Touré's authoritarian rule to organize a new political party. Touré and his supporters are taking vigorous measures to suppress this opposition, which draws its chief support from a large hinterland tribe. He will probably be able to remain in power, but since many competent Guinean officials have reportedly been arrested, the government may turn increasingly to the Sino-Soviet bloc for trained personnel. [REDACTED]

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**CEYLON'S PARLIAMENT DISSOLVED AND ELECTIONS SCHEDULED . . Page 11**

The dissolution of Ceylon's Parliament on 23 April and the scheduling of new elections for 20 July were the most practical means of ending the instability arising from the failure of any party to win a majority in the national elections last March. Only the six well-established parties are likely to nominate a substantial number of candidates, in contrast with the multiplicity of parties and candidates in March. The United National party and the moderate-socialist Sri Lanka Freedom party will be the leading contenders. One or the other may win a larger plurality than that of the United National party in the last election, but neither seems likely to achieve a comfortable parliamentary majority. [REDACTED]

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**LAOTIAN ELECTION RESULTS . . . . . Page 12**

Progovernment conservatives appear to have produced a landslide victory on 24 April in the Laotian National Assembly elections amid strong indications of electoral fraud in at least some districts. Incomplete returns indicate that known Communists or pro-Communists obtained few, if any, seats. The Communist Pathet Lao insurgents, who permitted the elections to be conducted in relative peace, now may gradually step up the pace of their guerrilla attacks. They may also try to stimulate the normally apathetic Lao villagers into protest demonstrations

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**PART II (continued)**

against government rigging of the elections. The conservatives, because of factional differences, are expected to have considerable difficulty in forming a government when the new assembly convenes on 10 May. [REDACTED]

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**SINGAPORE CONSIDERING SOVIET REQUEST TO ESTABLISH TRADE MISSION . . . . . Page 14**

The leftist government of Singapore appears to be giving serious consideration to the requests of visiting Soviet trade officials to open a commercial office there. The Malayan Government, which adamantly opposes any such agreement with the USSR, will probably seek by threats of economic reprisals to discourage Singapore from accepting Soviet overtures. It seems unlikely that Singapore would risk Malaya's displeasure unless it believed that an agreement would result in large-scale economic benefits.

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**AFTERMATH OF THE VENEZUELAN MILITARY UPRISING . . . . . Page 14**

The Venezuelan Government, having crushed the Dominican-backed 20-21 April uprising of dissident military elements, now may face strengthened leftist and Communist pressures for more radical reforms, harsh punishment of the rebels, positive support for the Cuban regime of Fidel Castro, greater control over the military, and possibly the inclusion of Communists in the three-party coalition. These pressures could lead to an open break between the armed forces and leftists, possibly forcing moderate President Betancourt to choose between them, and thus precipitating a new power struggle. [REDACTED]

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**INTERNATIONAL OPPOSITION AGAINST TRUJILLO INCREASES . . . Page 15**

International pressures are mounting against Dominican dictator Rafael Trujillo. Venezuela probably will ask the Organization of American States to act on Trujillo's complicity in the abortive revolt against President Betancourt's government, and Colombia may be planning to break diplomatic relations with the Dominican Republic.

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**PANAMA'S NATIONAL ELECTIONS . . . . . Page 16**

Candidates of the National Patriotic Coalition party (PCPN), Panama's ruling party since 1953, are expected to triumph in the presidential and legislative elections on 8 May. The PCPN's Ricardo Arias and his two rivals for the presidency have all announced that, if elected, they intend to press the United States for additional canal

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benefits. Opposition spokesmen have accused the government of fraudulent voting-registration procedures, and further political unrest could lead to new antigovernment or anti-US disorders during the election period.

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**AGRICULTURAL COMMODITIES IN THE EUROPEAN COMMON MARKET . . Page 17**

The European Economic Community (EEC), which has made steady progress in freeing trade in industrial products, faces serious problems in integrating its agricultural markets. A farm plan prepared by the EEC Commission is encountering strong reservations both from producers--who want more protection from foreign imports--and from domestic processors and consumers who fear that the commission's goal is agricultural self-sufficiency with higher prices. No early solution is in sight for the acute underlying deficiencies of EEC agriculture, which could eventually become the major drag on efforts to accelerate full implementation of the Common Market.

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**ITALY'S CHRISTIAN DEMOCRATS IN A QUANDARY . . . . . Page 19**

Following Amintore Fanfani's failure to form a viable center-left government, President Gronchi summoned Fernando Tambroni to resume his effort to win parliamentary investiture. Senate approval of Tambroni would leave still unresolved the basic problem of whether the Christian Democratic party is to evolve in a right or left direction. A meeting of the party's national council appears the next likely step to resolve the dilemma, and an extraordinary party congress might follow in an effort to close ranks before calling national elections.

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## PART III

PATTERNS AND PERSPECTIVES

## KHRUSHCHEV'S ROAD TO THE SUMMIT . . . . . Page 1

The campaign for a summit conference which Khrushchev launched in November 1957 has developed into the most ambitious and far-reaching Soviet foreign policy operation since the death of Stalin. Against the backdrop of unprecedented Soviet confidence in the bloc's improved power position, Khrushchev has set himself the goal of obtaining, in a series of high-level negotiations, Western concessions which will lead eventually to recognition of the permanence and legitimacy of the status quo in Eastern Europe, particularly in East Germany. To this end, Khrushchev has deeply engaged his personal prestige. A major problem is to secure Peiping's understanding of and support for this policy.

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## REFUGEE MOVEMENTS IN GERMANY . . . . . Page 7

The number of East Germans fleeing their country has recently increased sharply. During one week in April, about 5,400 refugees crossed into West Berlin, the largest weekly figure since the spring of 1956. This heavy refugee flow, apparently occasioned by the East German regime's intensified pressures against private farmers and businessmen, will aggravate the already serious shortage of manpower in East Germany, and may prove politically embarrassing to the Soviet Union immediately prior to summit talks. Since World War II, approximately 3,500,000 Germans have left the Eastern zone for the West; about 1,000,000 persons have moved in the opposite direction.

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## NATIONAL UNITY AND ETHNIC SEPARATISM IN BURMA . . . . . Page 10

The most pressing problem for Burma's Prime Minister U Nu, who returned to power this month for his fourth term, will be to obtain the trust and cooperation of the country's ethnic minorities and to develop a sense of national identity. The continuing insurgency of the Karens and Shans typifies the minorities' discontent with Burman domination. Under present conditions and government policies, this discontent is likely to increase.

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## WESTERN EUROPE'S INFLATIONARY PRESSURES . . . . . Page 13

The high level of prosperity in Western Europe disposes most countries to join with the United States and Canada in establishing an Organization for Economic Cooperation and Development to coordinate Western policy on trade and aid. There are, however, inflationary pressures

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building up in some Western European countries, [redacted]  
[redacted] Should national efforts to contain these pressures by monetary and fiscal means prove inadequate, some governments may feel compelled to take protective measures incompatible with present proposals for coordinating Western economic policy. [redacted]

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****28 April 1960****PART I****OF IMMEDIATE INTEREST****SOUTH KOREA**

Although no popular alternate leader to South Korea's former President Rhee has emerged, acting chief of state Ho Chong may become a power in his own right in the caretaker administration that will oversee new elections. Ho is a former prime minister and associate of Rhee, but more recently has been at odds with

**HO CHONG**

the regime. He enjoys considerable popular prestige in Seoul, where he served as mayor in 1958-1959. His interim government is almost certain to require continued military support, since the populace, encouraged by the success of mass action, probably will continue to be easily aroused to violence if its expectations for reform are disappointed.

President Rhee sent his formal resignation to the National Assembly on 27 April following a new outbreak of

antigovernment demonstrations in Pusan, South Korea's second largest city. At the height of antigovernment violence in Seoul the day before, Rhee had announced that he would resign the presidency "if the people want me to do so," oust his chief political lieutenant, late Vice President-elect Yi Ki-pung, from all political offices, hold new elections, and amend the constitution to create a parliamentary form of government.

The rioting in Seoul on 26 April, which took some 20 student lives and wounded an estimated 136 other persons, appears to have been caused by Rhee's equivocal response to public demands for reform and redress of grievances. Rhee had appeared to be stalling, while attempting under the umbrella of martial law to consolidate his power.

Whether Rhee will attempt to succeed himself may depend on whether his supporters in the National Assembly are able, when the constitution is amended to establish a parliamentary form of government, to alter the election procedures to provide for the indirect election of the president by the legislature. The situation is further complicated by the demands of some opposition Democratic party lawmakers that an election for a new assembly should have priority over revision of the constitution. In any event, South Korean constitutional authorities have pointed out that new elections for the presidency and vice presidency must be held

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within 90 days or not later than 27 July to meet legal requirements.

Meanwhile, Ho Chong has moved ahead to appoint an interim cabinet. Rhee already had appointed Yi Ho and Kwon Sung-yol as home minister and justice minister respectively. While Yi is an improvement over his predecessor, Kwon's selection is questionable. Ambassador McConaughy has observed that those subsequently selected by Ho to fill out the cabinet are generally reputable figures who should be able to begin the cleaning-up process expected by the public, although Ho reportedly had difficulty finding men of top quality willing to serve in a caretaker government.

Ho is worried over whether he will be able to move fast enough to satisfy public expectations for reforms, should his administration fail to meet such expectations, or if Rhee should go back on his promise to retire from office, public disappointment and indignation could result in new and more violent demonstrations. For the time being, however, Seoul is reported returning to normal.

Lt. Gen. Song Yo-chan has ordered martial law relaxed, and students are cooperating with the authorities to restore order. The government has ordered all students and opposition political prisoners released by the police. The re-opening on 27 April of the Kyonghyang Sinmun, South Korea's second largest newspaper which was closed last year for criticism of the government, is the first specific example of the redress of past wrongs.

During the demonstrations in Seoul on 25-26 April, the relationship between the populace and the troops responsible

for maintaining order was almost friendly. The latter scrupulously avoided shooting at the demonstrators and allowed their ranks to be breached and in some instances their tanks to be overrun by the crowd.

By contrast, the police have had to flee and hide and have been hesitant to reappear for fear of public reprisals. The students have demanded that those guilty of atrocities be punished. Members of both political parties have called for the police to be politically neutralized, and the new home minister has said this will be done. Until major organizational and personnel reforms are undertaken, it appears that the police will be incapable of carrying out even the normal functions of maintaining law and order.

The National Assembly has formed a nine-member bipartisan committee, including one independent member, to draft the constitutional amendment for establishing a parliamentary government, and has agreed that the election and controversial local autonomy laws should be amended immediately. The latter law substituted appointed for elected local executive officials, giving the regime direct control over almost every aspect of local life. The legislators also called for the resignation of members responsible for the fraudulent 15 March presidential elections.

The speaker of the National Assembly, Vice President-elect Yi Ki-pung, died along with the rest of his family at the presidential residence on 28 April. All allegedly were shot to death by Yi's elder son, the adopted son of President and Madam Rhee, who then shot himself.

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Although the opposition Democratic party has virulently attacked Rhee in the legislature and called for reforms and an end to repression, it has not as yet captured the loyalty of the general public. Factional strife has been resumed between the followers of party leader Chang Myon and the late Cho Pyong-ok. Party leaders have announced that the Democrats will not participate in any coalition.

There have been no indications that any government likely to emerge from the debacle of the Rhee regime will be unfriendly toward the United States. No incidents of anti-Americanism have been reported. Ambassador McConaughy has commented on the "genuinely warm and enthusiastic" reaction of the crowd to the role of the United States in the situation.

Pyongyang continues to devote its full propaganda attention to events in South Korea. Emphasis has shifted, however, from earlier expressions of

sympathy for the demonstrators to attempts to influence the shape and direction to be taken by the emerging political authorities. North Korea demands the withdrawal of all American forces and the abolition of the whole South Korean government structure, stating that under present conditions even new general elections would only result in another "puppet regime."

Pyongyang requests talks between Koreans on both sides, establishment of a joint economic commission, and national general elections to set up a unified government. These elections should be held "without foreign interference," presumably meaning without international supervision. All the foregoing proposals suggest that North Korea is setting the stage to profess dissatisfaction with whatever type of government emerges from the present situation, while hoping its propaganda for unification on Communist terms can make some inroads during the existing confusion.

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**CUBA**

Although Fidel Castro probably still has the support of a majority of Cubans, his popularity continues to decline among all classes. The regime's drastic reforms have spread economic benefits more widely in some spheres, but they have simultaneously caused major dislocations in supply, production, and labor.

that government intervention in business and agriculture has cut off many sources of private income and has led to unemployment, a restriction of money in circulation, and other manifestations of an economic recession. He reports that the economic pressures have contributed to significant losses in Castro's support among elements of the lower as well as the middle and upper classes. This observer notes that all attention is focused on economic problems.

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and that the Communist issue is not an important factor in the discontent.

Anti-Castro guerrillas are operating in the Sierra Maestra but are believed still to be few in number. Their presence is clearly irritating to the government, however, and they are potentially important as a rallying point for dissidents.

The growing seriousness and complexity of the country's economic and political problems are impelling the Castro regime to use the United States more and more as a scapegoat. In his 22 April television appearance, Castro described US policy toward Cuba as "fascist" and a betrayal of the principles for which thousands of Americans fought in World War II. He accused officials of the US Naval Base at Guantanamo Bay of using the guerrilla groups in Oriente Province "to promote a counterrevolutionary focal point." He added, "We are ready for a real war." Ambassador Bonsal described these attacks on the United States as Castro's strongest, most direct, and most insulting to date.

The three-man Chinese Communist delegation that arrived in Havana on 22 April was the first of many foreign delegations, including other representatives from the Soviet bloc, to come for the May Day events in Cuba. Greeting the Chinese at the airport, Cuban pro-Communist labor leader Jesus Soto said, "You have had

revolutionary experiences from which we must learn, especially regarding questions of labor." Many delegates from the western hemisphere were invited to Cuba for the "Meeting of Democratic Political and Intellectual Personalities" set for 29 April to 1 May.

A bitter struggle continues between pro-Communist and non-Communist leaders of the powerful Cuban Workers' Confederation (CTC). CTC Secretary General David Salvador, who has apparently attempted to resist government-endorsed efforts by Soto and other pro-Communists to gain complete control of the CTC, will probably soon be ousted or resign.

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## EAST-WEST RELATIONS

Khrushchev, in a speech on 25 April at Baku, provided a preview of his negotiating position on the major summit issues. Predicting that the favorable trend in international affairs would continue after the summit, he assigned top priority to disarmament, to be followed by a discussion of Germany and Berlin. Nuclear test ban negotiations and the general category of East-West relations were also included as subjects for summit consideration.

The speech was another example of the Soviet strategy of combining pressure and inducement to extract concessions from the West. After Moscow used a Pravda article in mid-April to encourage speculation on the possibility of an interim solution on Berlin, Khrushchev sought to sharpen the alternatives open to the West by spelling out in some detail the consequences of the conclusion of a separate peace treaty with East Germany. He elaborated on the standard claim that such action would end all Western rights of occupation, specifically including the right of access to Berlin by land, water, and air.

By discussing the question in the general context of the May meeting, Khrushchev again implied, without, however, specifically committing the USSR to such timing, that Moscow would take prompt unilateral action if the Western leaders reject the Soviet peace treaty proposal. He reinforced the separate treaty threat with a warning that if "hotheads" should invoke the use of force, they would be met with force.

Khrushchev's apparent objective in reverting to a strong-

er definition of the consequences of a separate treaty is to increase the incentive for the West to negotiate an interim Berlin agreement as an alternative to unilateral Soviet action. In a private conversation with Ambassadors Thompson and Bohlen just prior to Khrushchev's speech, Foreign Minister Gromyko hinted that such a solution was still negotiable, after repeating the standard demand for a peace treaty with both German states and the creation of a free city in Berlin.

Timed for maximum impact on the talks between Presidents Eisenhower and De Gaulle, Khrushchev's speech was probably intended as a reply to De Gaulle's statement that no solution could be reached on Berlin or Germany. The Soviet premier sharply criticized "some statesmen" who intend to conduct a noncommittal exchange of opinions at the summit and avoid reaching "concrete" decisions.

Khrushchev adhered closely to the position taken by the Soviet delegation in the disarmament negotiations in criticizing the West for insisting on substituting control for disarmament. Gromyko's private remarks that Khrushchev will be seeking a "concrete" decision on disarmament provide further evidence that Moscow will press for a joint statement endorsing the main principles of a treaty for complete and general disarmament which the Soviet delegation could represent as a directive to proceed with the Soviet plan.

The Soviet leader also made it clear that he anticipates hard bargaining at the summit on the

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question of a nuclear test ban treaty. Breaking a long silence on the Eisenhower-Macmillan communiqué proposing a voluntary moratorium on small underground tests, Khrushchev portrayed this as accepting in principle the Soviet proposal and thereby raising hopes for conclusion of a treaty "in the near future." He singled out the duration of the moratorium as the key issue, and claimed that the Soviet suggestion of four or five years was based on American estimates of the period necessary to work out improved detection techniques. He implied, however, that this duration could be shortened.

Gromyko privately also struck an optimistic note on a test ban treaty, contrasting it with the "disappointing" Western position in the disarmament negotiations.

Disarmament Talks

The last week of the disarmament negotiations prior to a recess until 7 June produced no modification in the Soviet position. The bloc delegates continued to argue for Western acceptance of a set of principles on complete and general disarmament. Following the Western presentation of four principles, however, Soviet representative Zorin sought to belittle the proposal as an eleventh-hour move which raised doubts as to whether the West desired to eliminate all weapons. Zorin criticized the lack of a time

limit but refrained from rejecting the proposal outright.

The Polish delegate focused on the West's alleged failure to provide a framework for complete and general disarmament, claiming that gradual negotiation of each issue excludes development of an over-all program which requires knowledge of subsequent stages. He concluded by criticizing the Western approach as vague, abstract, and removed from the task of achieving complete disarmament set forth in UN resolutions.

The Soviet delegate to the nuclear test ban talks followed Khrushchev's lead and attempted to draw out the West on the duration of the moratorium on small underground tests, which he termed "crucial." He criticized the approach of tying the length of the moratorium to the expiration of the President's term of office, and he asserted that the US should be able to devise a more permanent arrangement.

In response to British urging that the conference move on to questions which seemed near to a solution, the Soviet representative listed in addition to the moratorium the issues covered by the Soviet package plan of last December, including proposals on the composition of the control commission, control post staffing, and the control commission's procedure in voting on budgetary and financial questions.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****28 April 1960****NEHRU-CHOU TALKS**

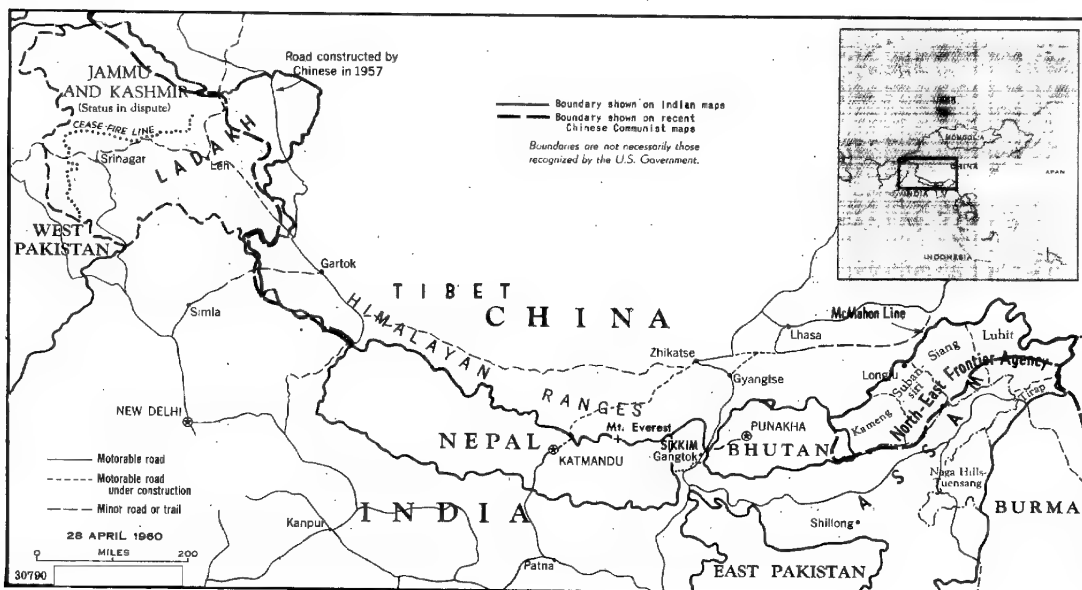
Six days of talks between Chou En-lai and Nehru have contributed little toward repairing the damage done to Sino-Indian relations by the border dispute. Substantive agreement seems more remote now that the two have met and shown themselves unwilling to compromise their basic positions.

The joint communiqué issued on 25 April admitted that the "long, frank, and friendly talks" had failed. Nehru insisted that India was the injured party and that substantive negotiations could not begin until Chinese troops were withdrawn from Indian-claimed territory. He thus rejected any solution at this time which would in effect preserve the status quo, including an exchange of disputed areas.

Chou met Nehru's uncompromising disposition with equal obstinacy, insisting that

"rightful" Chinese occupation of disputed territory constitutes a prime criterion for determining ownership and holding that the entire border is undelimited and therefore subject to negotiation. Several times during his stay in India, Chou hinted broadly that if the Indians would accept these "basic principles," an eventual exchange of the two major disputed areas in Assam and Ladakh could be worked out. At one point, Chou reportedly bargained for Indian agreement by offering to withdraw from the disputed Longju post in Assam.

In statements to Parliament and the press on 26 April, Nehru ruled out any suggestion of a "barter" patterned after the Sino-Burmese border agreement. He observed that there could be little progress toward an agreement when the two sides base their cases on "entirely different sets of facts." He

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also stated that he had not agreed to a proposal by Chou that both Indian and Chinese border forces continue to refrain from patrolling the frontier. Nehru added, however, that patrolling activity which would lead to armed clashes had to be avoided, and he rejected suggestions from opposition members of Parliament that the government take steps to try to drive the Chinese out of Ladakh by force.

In his final press conference on 25 April, Chou drew attention to Nehru's position on patrols in such a manner as to contrast it with his own statement that Peiping would observe the status quo, thus preparing the way to blame India for any future clashes. Chou also used the press conference to try to salvage some Indian goodwill by restating his old assurances that Chinese troops would not cross the McMahon line even though the line "is completely unacceptable to China."

Nehru's firm stand against Chou's campaign for a negotiated settlement probably will serve to restore a good deal of the domestic political support which Nehru had lost as a result of inviting Chou to New Delhi. Strong anti-Chinese sentiment in his own Congress party as well as among opposition parties, combined with continuing pressure from President Prasad, probably reinforced Nehru's own inclination to maintain India's claims against Peiping. The atmosphere in India also may have hardened Chou's attitude. He was reported nettled with the treatment

given him by the Indian press, and he exchanged a few testy remarks with the Indian vice president about it.

Despite their lack of substantive agreement, the two men set up a joint fact-finding panel of officials to study "the factual basis" for their respective claims. The Indians reluctantly agreed to this compromise formula after Chou had insisted on continuing talks at the highest possible level. The subordinates will meet alternately in Peiping and New Delhi between June and September, and report its findings to the two governments. These meetings are not likely to produce much to alter either position, but they do indicate that both sides hope for some reduction of tension over the border situation, and the panel will serve to keep open a channel for future negotiations.

Nehru's attitude may influence some smaller uncommitted nations, which frequently take their cue from him, to take a firmer stand in their relations with Peiping. Chou has apparently encountered a preview of this attitude in Nepal, where he is now visiting. The major purpose of this visit is to sign a friendship treaty, in which the Chinese want to include a clause barring Nepalese defense pacts with third countries. The Nepalese have indicated they will not agree to this. If rebuffed on the clause prohibiting third-country defense arrangements, Chou may insist on a statement of "principle" against military alignments pointing out that Nepal publicly adheres to nonalignment.

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The Nepalese are incensed by what they consider a Chinese claim to all of Mount Everest. Chou is well aware of Nepalese views and has suggested that the boundary be drawn through the summit of Everest, where most maps now show it. The Nepalese also believe that Chinese and Russian personnel in Nepal lent support to recent antigovern-

ment disturbances. Peiping recently moved to expand its influence in Nepal by granting \$21,000,000 in aid with a provision for Chinese technicians, some of whom have already arrived. Chou certainly will seek to exploit this grant and has suggested some of it might be used for a road linking Tibet and Nepal.

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**TURKISH POLITICAL SITUATION WORSENS**

Rioting by Turkish students in Istanbul on 28 April has led to the proclamation of martial law in Istanbul and Ankara and may be embarrassing to the government during the NATO meetings in Turkey from 2 to 4 May. The rioting was in protest against the action of the Grand National Assembly the day before in passing a bill broadening the powers of a parliamentary committee established on 18 April to investigate the opposition Republican People's party (RPP) and the press.

The new measure, passed after the 173 RPP deputies had walked out in protest, empowers the committee to stop, seize, or suspend publications violating the committee's decrees; seize any documents desired by the committee's investigators; and impose sentences of up to three years in prison for violators of the committee's rulings.

Ismet Inonu, leader of the RPP, has been suspended from 12 sessions of the assembly

for delivering a "revolutionary" speech before that body in which he accused the government of "attempting to create a regime similar to Syngman Rhee's regime in Korea."

Future developments depend largely on the reaction of the government to the student demonstrations. Leaders of the RPP have indicated they intend to ignore decrees by the "unconstitutional" parliamentary committee, while members of the government have publicly and privately proclaimed their intention of "liquidating" the opposition. Within the 409-member Democrat party parliamentary majority, however, there is a vocal minority, under the leadership of Sitki Yircali and estimated to number up to 130 deputies, which has expressed opposition to some of the recent repressive and dictatorial acts of the government.

Should these dissidents join with the RPP in active opposition to the present policies of Premier Menderes and President Bayar, the government

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might be toppled. Up to the present, however, these deputies have not indicated a desire to disrupt party unity. An open break could lead to new elections and might thus endanger their present political positions.

The 15-member investigating committee, composed of Democrat party extremists, has been divided into three subcommittees studying the press, the opposition, and politics in the army. The army, traditionally aloof from Turkish policies, has taken no active part in the present crisis. While several senior officers owe their position to Premier

Menderes and the mass of troops are from rural regions where the premier enjoys his greatest support, there is believed to be considerable dissatisfaction among field-grade officers with the government's repressive policy. Inonu's military reputation may also secure him some support from among the senior officers, both active and retired, who served with him nearly 40 years ago. There has been no significant evidence that the army might revolt or that the RPP intends to call on the army for support. If the government reacts to the student rioting with new and severe repressive moves, however, the attitudes of the army will become of crucial importance to the present regime.

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**PART II****NOTES AND COMMENTS****SOUTH AFRICA**

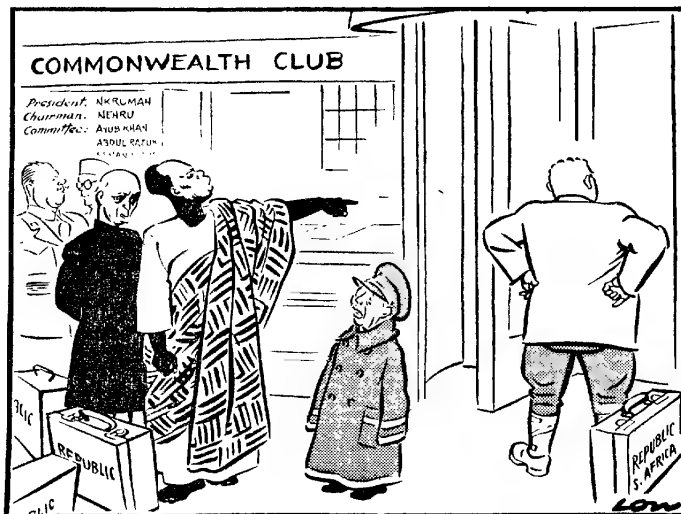
The recent racial disturbances in South Africa have precipitated an unprecedented amount of discussion within the country's dominant Afrikaner (Dutch-descended) community regarding future policy. Criticism of the government's apartheid program, already common among Afrikaner intellectuals, has apparently spread to the cabinet and some of the leading Afrikaner newspapers.

A group of cabinet ministers, editors, and intellectu-

gent native identification book and liquor laws and an increase in African wages.

Even these relatively minor changes in the government's racial policy have been criticized by die-hard conservative Afrikaners, to whom any concession to the African is anathema. The conservative leaders, whose strength among the rural Afrikaner population makes them the dominant force in the government, have instead proposed a stepped-up application of the tradition-

al Nationalist program of total racial separation. The two factions have apparently been unable to resolve their differences in the absence of the strong personality of Prime Minister Verwoerd. Since most of Verwoerd's own support comes from the rural Afrikaners, it seems likely that if and when he resumes active control of the government, he will favor the conservative position.



"BOY! CHUCK THAT FELLOW OUT!"

--Manchester Guardian Weekly

als--most of them members of the relatively moderate Cape Province section of the ruling Nationalist party--are apparently investigating ways of reducing discontent among the 3,000,000 urban Africans. Their views were expressed in a speech of acting cabinet chairman Paul Sauer, who proposed a revision of the strin-

gent native identification book and liquor laws and an increase in African wages. Even these relatively minor changes in the government's racial policy have been criticized by die-hard conservative Afrikaners, to whom any concession to the African is anathema. The conservative leaders, whose strength among the rural Afrikaner population makes them the dominant force in the government, have instead proposed a stepped-up application of the traditional Nationalist program of total racial separation. The two factions have apparently been unable to resolve their differences in the absence of the strong personality of Prime Minister Verwoerd. Since most of Verwoerd's own support comes from the rural Afrikaners, it seems likely that if and when he resumes active control of the government, he will favor the conservative position.

Sharply adverse reaction throughout the Commonwealth to South Africa's racial

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Macmillan and Nehru seem likely to try to keep such discussion outside the regular sessions, South Africa's racial policy has made Pretoria less

and less welcome within the Commonwealth, and Malaya and Ghana might try to provoke the Verwoerd government to withdraw.

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## PEIPING AND MOSCOW CONTINUE DEBATE ON DETENTE WITH WEST

Major public statements by Chinese and Soviet propagandists in commemoration of Lenin's 90th birthday emphasize the continuing sharp disagreement between Peiping and Moscow over the Soviet policy of detente with the West.

For the second time in less than a month, the Chinese Communist party's top theoretical journal, Red Flag, has emphasized that negotiations between the bloc and the West, regardless of their success in "reaching some sort of agreement," should not lead Communists to abandon their long-term struggle against the West. The major speech in Moscow, delivered by Soviet presidium member Otto Kuusinen, echoed Khrushchev's view that bloc countries should do nothing to jeopardize forthcoming negotiations in which, the USSR feels, the West will have no choice but to make accommodations to Soviet demands because of the shift in the balance of power.

The Chinese article, apparently directed toward justifying the continuation of the "tense situation" in Sino-American relations, rebuts the "revisionist" view of Tito--and, by implication, the views of Khrushchev--that "nations can relax," and asks, "Is there tranquillity in our Taiwan Strait?" Its claim that Peiping is "correctly" interpreting Lenin appears to be the Chinese answer to Khrushchev's attacks on "adventurous" policies.

The article implies that Lenin's "original" conclusions

and a Communist's "usual conception of Leninism" have been distorted for policy reasons by Moscow, particularly on the issue of the inevitability of war and revolution. It insists that local wars still "count as wars" and emphasizes, in a tone contrary to that of statements made at the Soviet 21st party congress, the continuing possibility of war. Declaring Marxist-Leninist theories of class struggle still valid, the article states that neither technological progress nor increased bloc strength can alter the fact that "the emancipation of the proletariat can only come by the road of revolution ..." and implies that Moscow has blurred this point.

Contradicting these views and attributing them not to the Chinese but to "bold publicists in the West," Kuusinen stated that the conclusion reached at the 20th and 21st Soviet party congresses about the absence of inevitability of wars in our epoch "is a 'new contribution to Marxism.'" He accused "these falsifiers" of taking from Lenin's works only those passages which support their own thesis.

Kuusinen noted that to be loyal to Marxism-Leninism today it is not enough to repeat the old truth that imperialism is aggressive--as the Chinese do. To see only this side of the question is "dogmatism," he said, and such dogmatism is obsolete. He alleged that Lenin foresaw long ago that "the time will come when war will become so destructive as to be impossible;"

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In developing the theme that the strength of the "socialist world" will soon be such that it cannot fail to win out in peaceful competition, Kuusinen observed that the significance of violence is soon exhausted, but that "influence and example will tell." He asserted that therefore the Leninist policy of peaceful coexistence, followed by the Soviet Union, is the only correct policy.

Most satellite commentary paralleled Kuusinen's treatment of the Lenin anniversary, particularly on the issue of peaceful coexistence, but differences were notable in the Czech and Albanian comments--both strongly emphasized the danger from the West and the need for continued vigilance. The Czechs implied that coexistence was a tactic designed to allow the "socialist countries to gain time for rapid economic development," Tirana, reflecting its belief that "imperialism" is inherently aggressive, gave lip service to the Soviet detente program but proceeded to itemize reservations in a manner quite similar to Peiping's.

Sino-Soviet foreign policy differences appear to arise from Peiping's need to justify a more aggressive posture than Moscow's and to avoid a stabilization of the political situation in the Far East, where American forces still "occupy Chinese territory." A principal theme of both Red Flag articles is the need to "expose" the American "peace fraud" during peaceful coexistence. The Chinese

oppose Khrushchev's version of peaceful coexistence, which encourages "businesslike cooperation" with capitalist states.

Chinese Communist officials have privately expressed the same views. When the Indian ambassador in Peiping recently questioned Premier Chou En-lai about differences between China and the USSR in their attitude toward the West, Chou centered his reply on the United States, stating that once issues between the Chinese and Americans were settled, Peiping's and Moscow's attitudes would be identical. The Chinese Communist ambassador in Cairo recently declared that the Russians might even make friends with the Americans, but that the Chinese could never do so as long as American troops "occupied" Taiwan.

Peiping is willing to challenge Moscow on ideological issues partly because of its conviction that Mao Tse-tung is the most important living Marxist, ranking just behind Lenin in interpreting Marxist philosophy correctly.

For the time being the Chinese will continue to pay lip service to Soviet aims at the summit and the Geneva conferences, but Peiping will make clear in its propaganda that any agreements reached between East and West will apply only to Europe and will not bind the hands of the Chinese in openly supporting nationalist movements in underdeveloped countries and in acting against the United States in the Far East.

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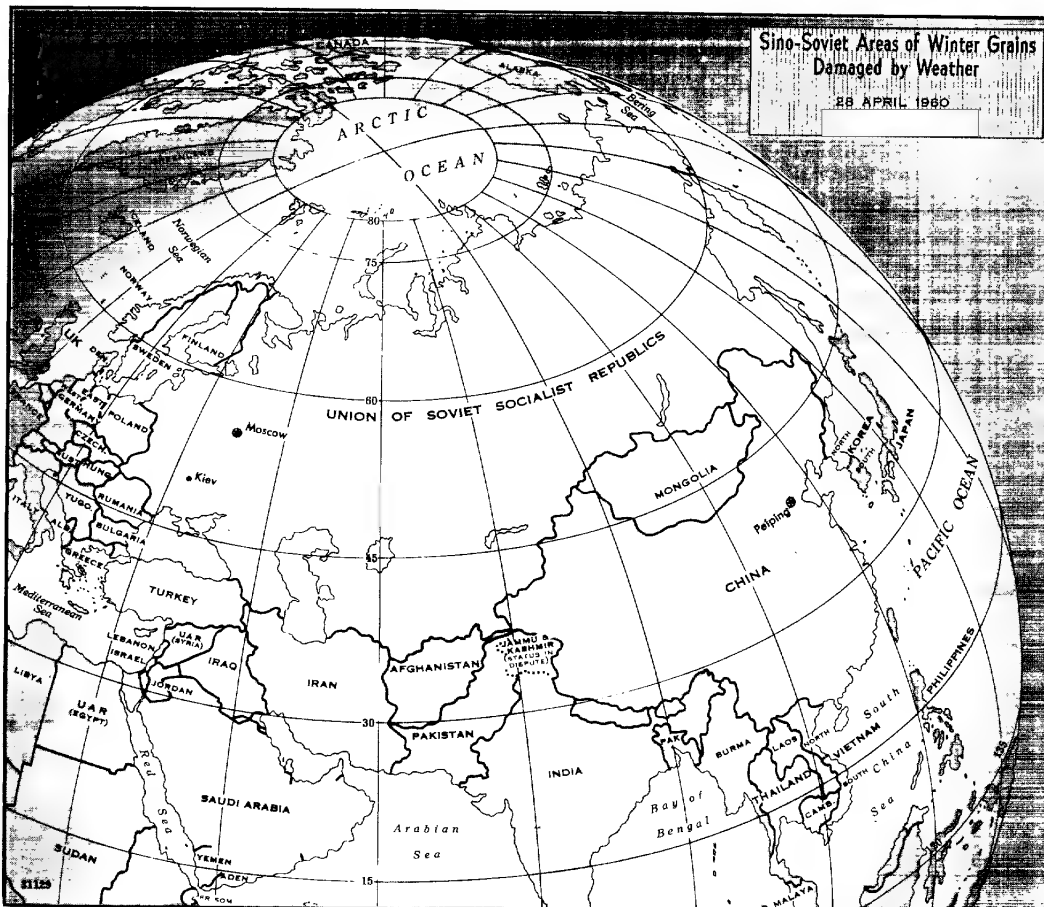
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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****28 April 1960****SINO-SOVIET AGRICULTURAL SITUATION**

Unfavorable weather in many important agricultural areas of the Sino-Soviet bloc has injured winter grain crops and delayed spring field work. Prospects for the bloc as a whole are unfavorable, unless better-than-average weather prevails during the remainder of the crop year and unless sown acreage can be expanded in some regions. Crop production fell off substantially last year in the USSR, China, Poland, and East Germany, and continued poor weather could cause another significant short-fall.

In the USSR, cold weather and dust storms apparently severely damaged winter crops in the North Caucasus, the southern Ukraine, and Moldavia. Much of the winter grain acreage must be reseeded, and output on the remaining acreage probably will be lowered. Unfavorable weather has delayed spring field work in parts of the extreme south; continued poor weather could reduce acreage below the 1959 level.

There are indications that the Soviet regime is counting on extension of the New Lands



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area this year to offset the damage to winter crops. Shortages of machine operators and spare parts in that area, however, will make a sizable expansion this year difficult. Heavier-than-normal precipitation during the winter months indicates that the prospects in this area are for somewhat better-than-average yields, but this is not expected to offset fully the effects of the poor weather in the southern European USSR. Prospects in the Soviet Union as a whole are for a crop output slightly smaller than normal.

The prospects for winter grains vary widely throughout the European satellites, with the most unfavorable outlook in Poland and East Germany. Because of severe winter-killing and poor crop development, Poland's 1960 winter grain production is likely to be 10 to 20 percent below the 1954-58 average. In addition, the necessity of reseeding large areas of winter grain, combined with poor soil moisture conditions, has prolonged and complicated the planting of all spring crops.

A similar, although less critical, situation exists in East Germany. The problem there has been further complicated by the recent collectivization drive, which has left the farmers unhappy and disorganized at the peak of the spring planting season. It is thus not only very likely that winter grain production will fall below average, but spring crops will probably also suffer.

Winter wheat production in Czechoslovakia and Hungary will probably be slightly below average, but the spring crops should

be about average if normal weather prevails. In Hungary too the rapid collectivization drive, although not on the order of that in East Germany, may take a toll. Rumania and Bulgaria appear to have had average fall planting seasons and winter weather, with prospects for winter grains about equal to the 1954-58 average. Spring crop prospects also are about average. In Albania, drought conditions, which led to a poor crop in 1959, continued during the winter and early spring of 1960. Besides retarding the growth of winter wheat, the drought has affected spring plantings.

Over-all prospects in the European satellites indicate that the grain deficit, especially in bread grains, will be significantly greater in 1960-61 than during 1959-60. East Germany and Poland must increase grain imports during 1960-61 or the deficit will probably seriously affect meat and milk production and cause a decline in the quality of the diet, with an attendant increase in worker dissatisfaction.

Rainfall in China during the fall and winter was below normal in much of the winter grain area, but an expected expansion of both winter and spring grain acreage will tend to counterbalance this. In any case, winter grains comprise less than one fourth of total Chinese grain production, and it is too early to predict the success or failure of the much more important spring-sown crops. Spring and summer rains could quickly make up for any moisture shortage in the spring crop areas.

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The fifth congress of the Socialist Alliance of the Working People of Yugoslavia (SAWPY), the regime's political mass organization which met in Belgrade from 18 to 22 April, served as the most important forum for a reaffirmation of Belgrade's internal and external policies since April 1958, when the last Yugoslav Communist party congress was held.

Tito filled the foreign policy section of his keynote speech on 18 April with criticism of Western policies and colonialism--a move designed to appeal to the uncommitted states, which sent more than half of the 41 foreign delegations. Tito at the same time restated Belgrade's general support for policies of detente and coexistence which parallel closely those of the USSR.

The regime announced no major changes in internal policy and extolled Yugoslavia's economic successes, which were said to be a direct result of the Communist party's program of economic and administrative decentralization. The regime's claim that Yugoslavia has become the first country in the postwar period to emerge from the status of an underdeveloped country was designed, by implication, to encourage the uncommitted countries to follow Yugoslavia's example in order to accelerate their own economic advancement.

While the Yugoslavs also hoped to impress Western socialists with the country's economic successes, their efforts to this end met with little response, as Western representatives--critical of Belgrade's failure to release Djilas--disliked the "popular-front" aspects of the congress and the general lack of floor discussions.

Although Belgrade staunchly defended its internal system and indicated there would be no compromise on matters of ideology--defined as "revisionist" by the

Soviet bloc--the congress will probably have little effect on Yugoslav-Soviet relations.

In commenting on the proceedings, however, Moscow ignored the challenge made by Tito's public reaffirmation of his controversial domestic policies and confined its attention to reviewing favorably his comments on foreign policy. Although the Soviet Union declined to send representatives to the congress--East Germany, Poland, and Hungary were the only bloc countries with delegations--its conduct is consistent with efforts over the past year to win greater Yugoslav support through an outward appearance of amicability. In stark contrast are the vituperative attacks made on Yugoslav policies by Albanian and Chinese spokesmen.

The election of Aleksandar Rankovic, Tito's top deputy in the Communist party, as secretary general of SAWPY replacing Edvard Kardelj suggests that Rankovic has passed his leading rival in the race to be designated Tito's heir apparent. Numerous other changes in SAWPY's secretariat, executive committee, federal board, and commissions may further enhance Rankovic's control of the organization.

During the past year the regime has waged a campaign to involve more persons in the everyday affairs of its economically and politically decentralized system, presumably hoping to acquire broader public support for the Communist party and its program. Although the congress was a highlight of this campaign, public response was apathetic. This situation is likely to continue, even though modifications in the statutes of SAWPY at the congress are intended to make it less an arm of the party and more an active, somewhat independent force in local government activities.

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## MIDDLE EAST HIGHLIGHTS

Arab Boycott of US Shipping

The third refusal by US federal courts to halt the picketing of a UAR freighter, the Cleopatra, in New York City has set the stage for a general Arab counterboycott of American ships--and subsequently of American planes--in the Middle East. The Arab action is to begin at midnight on 29 April if unloading of the Cleopatra does not begin before then. The ship's owners, the Khedivial Mail Line of Alexandria, Egypt, have appealed to the Circuit Court of Appeals. However, even if an injunction is granted, the International Longshoremen's Association (ILA), in supporting the Seafarers International Union (SIU), may still refuse to unload the ship.

ILA members have refused to cross the picket line, which was formed on 13 April as a protest against the UAR's blacklisting of US ships calling at Israeli ports. The union claims that blacklisting is an infringement of freedom of the seas and has caused a loss of jobs to American seamen, and that SIU members have been mistreated while passing through the Suez Canal. It assertedly will not be "swayed or intimidated" by Arab retaliatory measures.

The denial of an injunction against the union by the federal court on 23 April has been denounced by the Cairo press as an effort "to satisfy the Jewish voters at the expense of justice." The assault on and serious wounding of a Cleopatra crewman has been highlighted by Arab news media.

The International Confederation of Arab Trade Union

(ICATU) has set up a "supreme committee" to direct the boycott. ICATU Secretary General Asaad Rageh has said the Arab boycott will include refusal to load, unload, supply, or repair American ships, "even if they carry US aid cargoes," but that no attempt would be made to hamper freedom of navigation in the Suez Canal. Rageh said on 25 April that assurances of joint action had been received from unions in the UAR, Lebanon, Aden, Kuwait, Libya, and Morocco, and that the support of Tunisian and "African" labor federations was being sought. The Jordanian Federation of Trade Unions was reported earlier to have decided to implement at Aqaba any ICATU decisions.

Although Rageh reportedly said UAR workers were awaiting the "proper moment" to extend the boycott to American aircraft and that planes would not be affected until later, the president of the Air Transport Unions earlier had informed the American Embassy that all American aircraft would be boycotted at Arab airports; a Cairo newspaper has listed eight airfields--in the UAR, Libya, Lebanon, Aden, and Iraq--at which the boycott allegedly will be effective. The American air attaché in Cairo has observed that such a move would put American military as well as commercial aircraft "out of business" in the area.

The effect of the Arab counteraction probably will be widespread, although the unanimity the ICATU hopes for is unlikely. The governments of Saudi Arabia, Kuwait, Sudan, Jordan, and Lebanon appear reluctant to give full support, but they probably will give at least token observance in view of the Arab

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contention that Israel instigated the dispute. A wildcat refusal to off-load an American ship already has been reported in Kuwait, and similar activity is likely wherever Arab governments fail to support the boycott fully.

Nasir apparently regards the situation as unfortunate but feels he must countenance and even encourage the Arab boycott. His Foreign Ministry, however, has asked the Greek Government if, when the boycott goes into effect, US wheat destined for the UAR on American ships could be off-loaded at Piraeus and transshipped to the UAR under another flag.

The American Embassy in Cairo reports that there are signs the lenient UAR view of the US Government's role in the dispute is beginning to give way to a more hostile attitude. Anti-American reprisals may extend to other spheres of activity. One Cairo newspaper says all Arab ports on the Mediterranean and Red Seas will cut radio contact with American ships; Arab taxi drivers reportedly will refuse to carry American tourists; and the American Embassy in Lebanon has been informed by a syndicate of newsstand owners that they will not buy, sell, import, or publish articles, newspapers, or magazines related in any way to the United States.

Picketing of the Cleopatra is welcomed by the Israeli press as a possible turning point in efforts to secure passage for Israeli ships through the Suez Canal. American seamen have been hailed, while the US Government has been criticized for its failure to take effective action against the UAR boycott of Israeli shipping

and for its statement of the potentially adverse effect the picketing could have on American foreign relations.

Iraq

Finance Minister Muhammad Hadid's submission of his resignation from the Qasim cabinet and from the National Democratic party (NDP) on 26 April appears to be a move to bring differences in the party to a head prior to the party's convention at the end of April. Hadid, head of the NDP and one of the most influential and conservative members of Qasim's cabinet, has been at odds with the NDP's long-time leader, Kamil Chadirchi, and the NDP's secretary general, Husayn Jamil, who have been urging the party to withdraw its support of the Qasim government.

Qasim has not yet accepted Hadid's resignation and has publicly alluded to him as a "pillar" of the revolutionary regime. Hadid may be maneuvering to force the Chadirchi-Jamil faction out of the party, or failing that, to form a new party which would receive immediate recognition by the Qasim regime. However, the Chadirchi faction is believed to have the support of the party's rank and file, while the Hadid group is composed largely of old party stalwarts. Five other founding members of the party, out of 14, also resigned with Hadid, and two others are expected to do so. The NDP newspaper, Al-Ahali, which is controlled by a Hadid supporter, suddenly stopped publication on 25 April. The Hadid group is now publishing a new daily, while the Chadirchi faction's propaganda is confined to a provincial journal.

Hadid is likely to continue to participate in the government

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in some influential post, and the submission of his resignation may presage a cabinet reshuffle. If the larger part of the NDP moves into opposition to the regime, Qasim's support would be limited almost entirely to the army. Chadirchi and Jamil apparently feel that the NDP must dissociate itself from Qasim, because they think that internal difficulties, and particularly worsening economic conditions, will soon lead to the regime's overthrow.

Libya

The increased strength of opposition elements in the Libyan Chamber of Deputies resulting from last January's elections was demonstrated on 25 April. For the first time since Libya gained independence in 1951, the chamber passed a motion of censure against the government. The vote was 33 to 16. Rarely if ever before has the government had difficulty in obtaining a majority on any question before either house of parliament.

The issue in this case was the government's extremely un-

popular decision permitting a visit by units of the Italian fleet in February this year. Since the censure motion was not a formal motion of "no confidence," the cabinet is not required to resign. Nevertheless, this action by the chamber and earlier vehement attacks on the Libyan-US base agreement by leaders of the opposition bloc point up the growing pressures for changes in the government's policies and in the Libyan relationship with the United States.

King Idriss may soon appoint a new prime minister and other cabinet officials, a move which he has reportedly been considering for some months. A new cabinet is likely to be more susceptible to opposition pressures than Prime Minister Kubar and his colleagues.

New American aid proposals which have been tailored to meet many of Kubar's objections to the existing program are still pending; they may, if presented in time, serve to bolster the present government and take much of the steam out of criticisms regarding Wheelus Air Base.

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## ALGERIAN REBEL POLITICAL AND MILITARY ACTIVITY

The dispatch of a ministerial delegation to Communist China by the Algerian rebels is designed in part to pose to the West the threat of closer rebel relations with the bloc. Rebel spokesmen have periodically indicated to American officials that in the absence of Western support for rebel objectives, the Algerians would be forced to look elsewhere for aid. The rebels probably hope also to obtain a commitment from Peiping concerning the de-

livery of military equipment, including that promised in January 1959, of which at most only token shipments have reached Algeria.

The rebel program to internationalize the Algerian conflict is highlighted by efforts to recruit non-Algerian technicians into a "foreign legion" and by the new approach to Peiping. Although the rebels are seeking volunteers primarily from among nations of the Arab

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League, the Cairo press has published unconfirmed reports that "a number" of Chinese technicians have "volunteered" to join the rebel army. Peiping may offer a few technicians, but it is unlikely that the Algerians would request Chinese combat "volunteers."

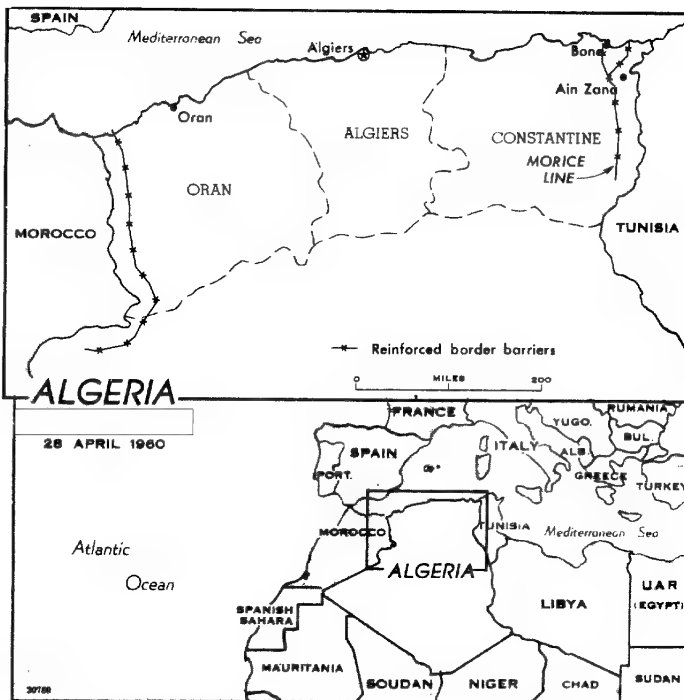
been offered "help" by Communist China, and that despite their distrust of Communism they "might be forced to accept."

The Algerians probably hope to launch some form of military offensive in Algeria in concert with their diplomatic offensive.

In recent weeks there have been an increased number of skirmishes along the Tunisian and Moroccan borders. Both French and Tunisian spokesmen have indicated concern over a possible attack into Algeria by rebels based across the frontier in Tunisia. While the rebels have several thousand men under arms on the Tunisian side of the Algerian border, it remains doubtful whether they could break through French border barriers in any strength.

Elsewhere, French officials have expressed concern with respect to cantonal elections to be held in Algeria on 29 May.

Although Paris hopes that the elections will see the emergence of moderate Moslems prepared to support De Gaulle's self-determination program, the rebels appear likely to use every likely to use every available means of intimidation to keep Moslem voters from the polls.



Arab League efforts to solicit Western support for the rebel cause were typified by the plea of Saudi Crown Prince Faysal to Ambassador Heath that the United States help the Algerian people "before it is too late." Faysal quoted rebel Vice Premier Belkacem Krim--who will head the delegation to Peiping--as saying that the rebels had

**GUINEA**

A serious domestic crisis has erupted in Guinea following an attempt by elements opposed to President Sikou Touré's authoritarian rule to launch a rival political organization to his Democratic party of Guinea

(PDG). Although tension is high, Touré and his supporters are taking vigorous measures to suppress this opposition and will probably be able to remain in power.

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The opposition movement apparently crosses tribal lines to some extent, but it derives its chief support from the Foulah tribe of the hinterland. Members of this tribe are traditionally hostile toward the Malinke and Soussou tribesmen who predominate in Touré's regime. The movement reportedly is headed by Minister of Justice Ibrahima Barry and included several other ministers as well as many lower ranking officials.

Rumors of increasing unrest in Guinea, especially among the Foulahs and the rank and file of the PDG in upcountry areas, have been circulating since last fall. These rumors, usually reflecting widespread economic grievances--such as growing unemployment--and the PDG's increasing demands on the people, mounted when food shortages developed following Guinea's abrupt departure from the franc zone early last month.

Recent reports from Conakry have indicated that organization was nearly complete last week of an opposition party pledged to moderating the extreme socialism of the regime's internal policies and to reversing Guinea's drift toward the Sino-Soviet bloc.

Touré's forces began taking repressive action

against the opposition on 19 April. House-to-house searches for antiregime propaganda have been made in some areas, and about 150 opposition leaders--including Barry--are reported to have been arrested by 25 April. Simultaneously, an all-out effort is being made to discourage mass support of the dissidents and to blame "French colonialism" for all of Guinea's mounting troubles.

Touré has announced that persons implicated in the "conspiracy" against his rule will be tried for threatening the security of the state, a capital offense. Although there is no evidence available to support his allegation--widely believed in Conakry--that the French are behind the opposition movement, some of the private French business interests toward which the regime has manifested increasing hostility may possibly be involved.

The reported purge of opposition elements appears to have removed from the government, which was already seriously deficient in trained personnel, many of its most competent and moderate officials. New bloc initiatives to exploit this situation may well follow and result in Guinea's turning increasingly to the bloc for trained personnel.

**CEYLON'S PARLIAMENT DISSOLVED AND ELECTIONS SCHEDULED**

The dissolution of Ceylon's Parliament on 23 April and the scheduling of elections for 20 July were the most practical means of resolving the problems arising from the failure of any party to win a majority in the national elections last March.

Immediately after Parliament defeated the United National party's (UNP) minority government on its first test vote, Governor General Goonetilleke rejected the divided opposition's bid for power and called for elections. He has thus avoided prolonging

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the present instability. Prime Minister Senanayake's UNP caretaker cabinet probably will be as effective as its limited powers allow, for it does not suffer the factionalism and inexperience of its predecessors.

The elections in July probably will be less complicated than those held last March. In contrast to the 23 parties which entered 899 candidates at that time, only the six well-established parties are likely to nominate a substantial number of candidates. The leading contenders of these six will be the relatively conservative United National party (UNP) and the moderate socialist Sri Lanka Freedom party (SLFP), which in March won 50 and 46 respectively of the 151 elective seats in Parliament.

Two other rival moderate parties may withdraw because only five of the 142 candidates they presented in March were elected. The three main leftist parties probably will not increase their combined membership in Parliament over the 23 seats won in March;

they may again find it difficult to reach an effective no-contest agreement.

The UNP may face a more difficult political battle than it did in March. The other competing parties probably will intensify their common anti-UNP campaign, and may attempt to discredit any action taken by Senanayake's caretaker cabinet. The SLFP may not be able to sustain the emotional sympathy it aroused by dramatizing the image of the late Prime Minister Bandaranaike, although Mrs. Bandaranaike presumably will continue to be the party's principal vote getter.

The disappearance of some splinter groups and independents from the ballot, together with decreased competition by the secondary parties, affords the UNP and the SLFP an opportunity to amass a larger plurality than that won by the UNP in March, but a parliamentary majority sufficient to assure governmental stability appears unlikely.

**LAOTIAN ELECTION RESULTS**

Progovernment conservatives appear to have won a landslide victory on 24 April in the Laotian National Assembly elections. Incomplete returns indicate that few, if any, known leftists have won any of the 59 contested seats. At latest report, only two of the nine candidates of the Communist-front Neo Lao Hak Sat (NLHS) were leading, and even they face runoffs on 8 May. The electoral ordinance specifically tailored for this election calls for a second stage of voting in any district where the leading candidate fails to win an absolute majority.

The fellow-traveling Santi-phab party also is unlikely to be represented in the new assembly. The Santiphab leader, himself defeated by an overwhelming margin, has already charged that the elections were "faked" and claims to have photographic evidence of electoral irregularities. Another disappointed opposition candidate has announced that he is preparing a report on electoral fraud for the United Nations.

While firm evidence of country-wide rigging is still lacking, the announced results for the six seats at stake in

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Champassac Province provide strong indications that the vote was manipulated there. Before the elections, at least three of the government-approved candidates were believed



SOUVANNA PHOUMA



PHOUI

The conservatives are expected to have considerable difficulty forming a new government. The most obvious candidates for premier--former Premiers Phoui Sananikone and Souvanna Phouma--are both reportedly unacceptable to the Committee for Defense of National Interests (CDNI). There are also indications that the King is opposed to them, even though their Rally of the Lao People (RLP) will probably control the largest block of seats in the assembly.

The CDNI, which will for the first time be directly represented in the assembly, can be expected to push for some "compromise"

to be in serious trouble, yet all six won seats by highly implausible margins. A UN official in Laos predicts that "no one will believe that the election was not rigged."

premier--like Tiao Somsanith, the interior minister in the caretaker government who, while an RLP member, has apparently allied himself with CDNI strongman General Phoumi. In any

The Communist Pathet Lao insurgents permitted the elections to be held in relative calm. With their apparent exclusion from the next assembly, however, they may gradually step up the pace of their guerrilla attacks. They may also try to stimulate popular demonstrations protesting rigging of the elections. Any full-scale resumption of guerrilla warfare would probably be delayed until the Communists can assess the impact of the elections on world opinion and see what kind of government is formed after the assembly convenes on 10 May.



PHOUMI



SOMSANITH

event, the CDNI will press for strong representation in the new cabinet, and negotiations for a generally acceptable government may be protracted.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****28 April 1960****SINGAPORE CONSIDERING SOVIET REQUEST TO ESTABLISH TRADE MISSION**

25X1 Reports from Singapore indicate that the leftist People's Action party (PAP) government of Singapore may agree to a recent Soviet trade delegation's request to open a permanent trade mission there. [redacted]

[redacted] the PAP government has without consultation with the UK Commission unilaterally approved the application of a Soviet trade official for a six-month entry permit. Malayan Prime Minister Rahman in Kuala Lumpur told an American official on 26 April that he had just received a communication from the Singapore Government seeking to justify acceptance of a Soviet trade mission on the basis of the importance of the rubber trade.

Any type of agreement involving permanent Soviet representation in Singapore would face the adamant opposition of Malaya and jeopardize the hopes of the Singapore Government for closer economic and political ties with the Federation. In order to head off any agreement, Malaya would almost certainly threaten economic reprisals and would even consider closing the causeway connecting Singapore with the mainland.

It seems unlikely that Singapore officials would risk Malayan displeasure unless they believe that a Soviet agreement would result in large-scale economic benefits for Singapore, possibly including a long-term, low-interest credit.

Under its constitution, the internally self-governing State of Singapore's foreign affairs are controlled by Britain, while the local government has responsibility for the "conduct of matters concerning trade...." Singapore officials may believe they can enter into an agreement with a Soviet trading corporation without consulting Britain.

An agreement concerning a permanent Soviet installation may also be considered to involve Singapore's internal security and thus come under the jurisdiction of the Internal Security Council, which is made up of representatives from Singapore, Malaya, and the United Kingdom. The subject was not broached, however, by the Singapore representatives at the last meeting of the council on 14 April. [redacted]

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**AFTERMATH OF THE VENEZUELAN MILITARY UPRISING**

The Venezuelan Government, having crushed the Dominican-backed 20-21 April uprising by dissident military elements,

now may face strengthened leftist and Communist pressures for more radical reforms, harsh punishment of the rebels,

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positive support for the Cuban regime of Fidel Castro, greater control over the military, and possibly the inclusion of Communists in the three-party coalition. These pressures could lead to an open break between the armed forces and leftists, possibly forcing moderate President Betancourt to choose between them, and thus precipitating a new power struggle.

The Venezuelan Confederation of Workers (CTV), which called a general strike to support the government during the outbreak, reportedly has presented recommendations for reform measures and 'popular tribunals' to try the conspirators, possibly with demands for Castro-style executions of the leaders. The CTV, which is controlled by Betancourt's Democratic Action party but has a strong Communist minority, may also be promoting the inclusion of the Communists in the governing coalition--a move opposed by Betancourt and the majority of the officer corps. Although the armed forces energetically put down the revolt, the leaders of the CTV,

which is largely pro-Castro and closely allied with the Cuban Labor Confederation, are apparently claiming considerable credit.

The division among Venezuelan political factions and within the government over policy toward the Castro regime, which has been a cause of serious friction, may also be intensified by the recent revolt. Cuba's formal offer of military assistance to Venezuela during the short-lived uprising will tend to encourage vocal pro-Castro leftists and Communists. Betancourt, most of the government, the military, the church, and other moderate and conservative groups have been critical of the Cuban leader.

On the other hand, virtually all Venezuelan political elements are united by their intense resentment of Dominican dictator Trujillo, and the Betancourt regime will be increasingly receptive to demands for some form of retaliation against him, particularly sizable aid to Dominican exile groups who are plotting Trujillo's overthrow.

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## INTERNATIONAL OPPOSITION AGAINST TRUJILLO INCREASES

Dominican dictator Trujillo faces mounting hemisphere opposition as a result of his deep involvement in the Venezuelan uprising of 20 April. Venezuela, which broke diplomatic relations with the Trujillo regime last June, will probably bring new charges against the regime in the Or-

ganization of American States to supplement those presented last February accusing it of violating human rights.

Colombia may also break diplomatic relations with the Dominican Government on grounds that key leaders of the revolt, including the captured General

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Castro Leon, arrived in Colombia on Dominican diplomatic passports before crossing the border into Venezuela.

Some European countries are concerned about emigrants to the Dominican Republic who were forced to join the "foreign legion" which Trujillo started organizing in March 1959. The West German Embassy reportedly fears that some Ger-

mans in the legion are dead, and a Dominican formerly close to the Trujillo family has told an American diplomat that a group of Germans were put to death by having air injected into their veins because they refused to fight in the legion.

Within the Dominican Republic, a Catholic bishop has publicly denounced Trujillo's campaign to have himself declared "benefactor of the Catholic Church," and Trujillo in turn has launched a vilification campaign against the church.

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**PANAMA'S NATIONAL ELECTIONS**

Candidates of the National Patriotic Coalition party (PCPN), which has ruled Panama since 1953, are expected to triumph in the presidential and legislative elections on 8 May. Although the PCPN's support has been weakened by the withdrawal of several factions since the beginning of the 1960 election campaign, the party retains firm control over the election machinery and can count on the support of many wealthy, influential Panamanians. It is likely, therefore, not only to win the races for the presidency and both vice presidencies but also to retain control of the 53-member National Assembly. The party leader and presidential candidate is Ricardo Arias, a former president

and once ambassador to Washington.

Both opposition coalitions are composed of several splinter parties which joined forces only for political expediency and which lack organizational and financial strength. The Popular Alliance agreed in mid-March to back the presidential candidacy of Victor F. Goytia, who was defeated by Ernesto de la Guardia in the 1956 presidential race. Goytia is believed to be more popular than Roberto Chiari, the candidate of the National Opposition Union and an unsuccessful presidential contender in the 1952 elections.

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RICARDO ARIAS

Few real issues have been publicized during the campaign. All three presidential aspirants are intimately connected with the small group of families which has controlled Panama since its independence, and all have pledged themselves to further Panama's struggle for more canal benefits from the United States. Recent charges of irregularities in the voter registration program may presage opposition attempts to provoke violence--possibly directed against either the Canal Zone or the De la Guardia regime--at any time during the election period.

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**AGRICULTURAL COMMODITIES IN THE EUROPEAN COMMON MARKET**

The European Economic Community (EEC), which has made steady progress in freeing trade in industrial products, faces serious problems in integrating its agricultural markets. While the EEC treaty had to some extent foreseen that this would be difficult by providing for the "gradual" establishment of a common agricultural policy during the 12- to 15-year transitional period, the implementation of such a policy immediately encounters the basic deficiencies of Europe's agriculture.

Few farms in the EEC area are of optimum size, the proportion of farm workers to the total labor force is far higher than in the United States, and industrial absorption of excess farm labor has proceeded much more slowly. Postwar production has been sharply increased through use of subsidies, price supports, and import controls. As a result, EEC farm prices are above the world level and vary widely from country to

country. Grain prices in Germany and Italy, for example, are from 30 to 40 percent above those in France and Holland.

The EEC Commission's preliminary recommendations for coping with these deficiencies are largely the work of Vice President Mansholt--who formulated the "green pool" proposal of the early postwar period--and reflect to some extent his zeal and experience. His plan would establish a European fund to effect such basic remedies as grouping of landholdings, resettlement of farmers, and introduction of modern methods. Mansholt, however, has been forced to allow a considerable measure of protection from foreign competition while intra-EEC trade in farm commodities is being freed--mainly by a system of "target prices" and various commodity bureaus to make "support purchases" and collect "equalization fees" on imported products.

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The program, a compromise, tends to satisfy almost no one. The extent to which it will be protective will depend largely on the target prices finally set by the EEC. This uncertainty has worried the farmers, who want wider use of "sure" quantitative import controls, while consumers and processing interests within the EEC and foreign producers charge that the commission seeks agricultural self-sufficiency with higher food costs.

These conflicting pressures confront the EEC with a

serious dilemma. An attempt to push ahead with an agricultural plan which is not generally acceptable would place a heavy burden on the EEC's developing institutions. Postponement of the institution of a common agricultural policy, however, would eventually create a major obstacle to present plans to accelerate implementation of the Common Market as a whole. Farm policy generally is so contentious that after more than 15 years, the Benelux Union has still not fully integrated its agricultural market.

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**ITALY'S CHRISTIAN DEMOCRATS IN A QUANDARY**

Following Amintore Fanfani's failure to form a viable center-left government, President Gronchi summoned Fernando Tambroni to resume his effort to win parliamentary investiture. Senate approval of Tambroni would leave still unresolved the basic problem of whether the Christian Democratic party is to evolve in a right or left direction. A meeting of the party's national council appears the next likely step to resolve the dilemma, and an extraordinary party congress might follow in an effort to close ranks before calling national elections.

Tambroni was ordered by his party to tender his resignation when his cabinet began to disintegrate because the majority it had won in the Chamber of Deputies on 8 April depended on neo-Fascist votes. He remained acting premier, however, pending confirmation of a new premier. Amintore Fanfani's subsequent attempt at a center-left government including the Democratic Socialists and Republicans failed, presumably because it presupposed

the parliamentary abstention of Nenni's Socialists.

Tambroni acceded to President Gronchi's request that he try again but announced that he would not accept a Senate ma-

**TAMBRONI**

jority vote if it depended on the neo-Fascists, Republicans, Socialists, and left-wing Christian Democrats may insist that Tambroni seek a new confidence vote in the lower house

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on the ground that the constitution requires investiture by both houses within ten days of formation of a government. Their aim would be to force a clarification of the Christian Democrats' political orientation.

In any case, a clarification of relations between various party bodies is in order. The parliamentary group apparently defied the executive committee's order to support

formation of a center-left government, and this issue will probably necessitate convocation of the Christian Democratic national council. Subsequent recourse to an extraordinary party congress is possible, particularly if early national elections seem mandatory. The Christian Democrats fear electoral losses, in view of the failure of Fanfani's center-left government in the face of the center-left trend of the electorate.

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## PART III

PATTERNS AND PERSPECTIVES

## KHRUSHCHEV'S ROAD TO THE SUMMIT

Two weeks after agreement was reached last December on the date and place for the forthcoming summit meeting, Khrushchev proudly informed the Supreme Soviet on 14 January that his campaign for top-level East-West talks launched in November 1957 had been crowned with success.

In a speech at the 40th anniversary celebration of the Bolshevik revolution, in 1957, Khrushchev had called for a "high-level meeting of representatives of capitalist and socialist countries" to reach agreement to exclude war as a means of settling international disputes, to end the cold war and the armaments race, to establish coexistence as the basis of international relations, and to settle ideological issues by peaceful competition, not by force. This speech was followed by formal notes to the Western powers proposing an early conference of heads of government to discuss measures for easing tension and ending the cold war.

With these pronouncements Moscow initiated what has developed into its most ambitious and far-reaching foreign policy operation since the death of Stalin. The ultimate objectives are to extract from the Western powers a definitive recognition of the political and territorial gains scored by the USSR during and after World War II and to bring about the most favorable international conditions for achieving the USSR's domestic goals as set forth in the Seven-Year Plan.

This diplomatic offensive was conceived against a backdrop of the military and technological achievements in the

late summer of 1957--the successful ICBM test and the launching of the first sputniks--which the Soviet leaders hailed as marking a major shift in the world balance of power. They displayed great confidence that the trend of world events was running heavily in their favor and that they could translate these technological advances into political gains.

While Soviet tactics over the past two and one-half years have fluctuated widely, the principal objectives of the summit campaign have remained remarkably constant. Khrushchev's overriding aim is to overcome the West's unwillingness to accept the permanence of the Sovietization of Eastern Europe and the partition of Germany.

In an interview on 7 October 1957 he spelled out the implications of the only kind of accommodation with the West he would find acceptable: "One thing only is needed (to ensure peace)--to recognize what has historically taken place," i.e., the existence of the satellite regimes. "There must be no interference in their affairs. We, for our part, proceed from the realistic conditions of the existence of such capitalist states as the United States, Britain, France, and others, and that the social structure of these countries is the domestic affair of their peoples."

The Soviet leaders probably had little expectation that the Western governments could be stampeded into accepting their initial bid for a summit conference in the spring of 1958. They apparently envisaged this as only the opening move in a prolonged period of negotiation, lasting possibly several years, in which the USSR, by a

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combination of pressures and inducements, would gradually bring the Western powers to make a chain of concessions whose cumulative effect would be recognition of the permanence and legitimacy of the status quo in Eastern Europe and East Germany.

By the time the USSR finally accepted the West's proposal for preparatory discussions in Moscow between Foreign Minister Gromyko and the three Western ambassadors beginning in April 1958, Khrushchev and his colleagues evidently had lost much of their optimism about getting a summit meeting on their terms. Gromyko's exchanges with the ambassadors in May clearly reflected Moscow's unwillingness to engage in careful preparations for a summit.

The USSR, in effect, terminated these talks in June by publishing the documents exchanged by the two sides--a violation of the agreed secrecy. This marked the end, for the time being, of the summit drive. Khrushchev concluded that he could not force the West into a summit meeting on Soviet terms without greater pressure.

Background of Berlin Crisis

Khrushchev's determination to bring matters to a head with the Western powers was sharpened by the resolution passed by the West German Bundestag on 25 March 1958 authorizing nuclear weapons and missiles for the West German armed forces. In view of the Soviet leaders' almost pathological suspicion and fear of resurgent German military power, it appears in retrospect that this development played a major role in Khrushchev's decision to precipitate a new Berlin crisis. From Moscow's viewpoint, the prospect of strong West German forces, armed with modern weapons, underscored the urgency of consolidating Soviet hegemony in Eastern Europe, especially

in East Germany, before the growing power of West Germany could confront the USSR with a serious challenge.

The USSR responded quickly with a move designed primarily to check the implementation of NATO plans to develop a strong nuclear-deterrent capacity centered in West Germany. In his speech to the Supreme Soviet on 31 March 1958, Gromyko announced the unilateral cessation of Soviet nuclear weapons tests. About half of his speech was devoted to a severe indictment of the Adenauer government's policies. "It would be sheer folly," he warned, "to underrate the gravity of this step" by the Bonn government.

Moscow's preoccupation with erecting an impregnable barrier against future West German political and military pressure on the satellites was evident in Gromyko's conclusion that Bonn's intention to arm its forces with nuclear weapons "cannot be interpreted otherwise than as a challenge to the European nations and, above all, to those bordering on Germany." To emphasize his point, Gromyko charged that West Germany "is the only European state whose government is seeking to redraw the present frontiers in Europe."

First Deputy Premier Mikoyan arrived in Bonn at the end of April 1958, ostensibly to sign a routine trade agreement, but actually to impress on Chancellor Adenauer the seriousness with which the USSR viewed Bonn's decision on nuclear weapons.

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In both public and private statements, Mikoyan offered to guarantee West Germany immunity

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against nuclear attack in the event of war, provided West Germany renounced nuclear armaments. He also warned that implementation of measures to equip West German forces with such weapons would create a "new obstacle to German reunification."

Pressure for Summit Meeting

Mikoyan's report to his colleagues in Moscow was followed by a sharp increase in Soviet pressure on the West, particularly on the United States. Moscow seized on the Middle East crisis sparked by the Iraqi revolution in mid-July of 1958 to call for an immediate summit meeting to consider, specifically, the intervention of American troops in Lebanon and British forces in Jordan. But the Soviet leaders dropped this project when they failed to break Western insistence on a forum which they considered unfavorable--a special session of the UN Security Council attended by the heads of member governments but bound by Security Council rules and voting procedures.

Khrushchev certainly regarded the crisis precipitated by the Chinese Communists' bombardment of the offshore Quemoy Islands on 22 and 23 August 1958 as an excellent opportunity to test American readiness to respond to a bloc challenge and to discredit and isolate the United States on an issue where its policy was the subject of widespread disagreement in the free world. He probably considered that if Washington could either be forced to retreat from its position on the offshore islands issue or to act in defiance of world opinion, the upshot would be a serious political defeat for the United States.

Soviet complicity in this operation seems probable, for Khrushchev and Mao must have discussed strategy on this issue

at their meeting in Peiping from 31 July to 3 August 1958. The most striking feature of the USSR's role was the unprecedentedly strong and unequivocal commitment to provide military support for Peiping--in sharp contrast to the cautious Soviet behavior in the strait crisis of 1954-55. In letters to President Eisenhower on 7 and 19 September, Khrushchev cited the USSR's obligations under the 1950 Sino-Soviet Treaty, pledged that Moscow would come to the aid of China in the event of an American "attack," and intimated that there would be retaliation in kind to any nuclear bombardment.

Berlin Crisis

The mood and calculations that governed Khrushchev's aggressive course in the Taiwan Strait affair were reflected in a remark he made at a Kremlin reception on 10 November 1958--the day he invoked an indirect threat of a new and more formidable Berlin blockade by announcing the USSR's intention to turn over its remaining functions in Berlin to the East Germans.

The frustration of his efforts since November 1957 to bring the West to a summit meeting under favorable conditions had convinced Khrushchev that he had to have a sharp crisis, or a threat of one, to make a summit urgent and compel the Western governments to abandon their previous conditions.

Khrushchev's aim in reopening the Berlin question was to confront the Western powers with

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what appeared to be a choice between risking war to maintain their rights in Berlin or making concessions which would erode their position not only in Berlin but on the fundamental question of German reunification.

In addition to using the Berlin threat as a lever for a summit meeting, Khrushchev saw the Berlin issue as a means of wringing concessions from the West which would lead eventually to some form of recognition of the East German regime and to acceptance of the permanence and legitimacy of the status quo in Eastern Europe. Berlin, therefore, was not an end in itself but primarily a means of drawing the West toward an accommodation with long-standing Soviet demands regarding the future shape of Europe.

an impression that the two superpowers were taking the first steps toward an accommodation. Soviet agents in Europe circulated reports designed to stimulate fears of a private Soviet-American deal at the expense of the United States' allies.

Mikoyan's report on his visit at the 21st party congress at the end of January sought to convey an impression that the situation was ripe for serious negotiations. He said he found that American leaders were inclined "to recognize the principle of peaceful coexistence" and noted that "in contrast to earlier times, the American statesmen had expressed a readiness to negotiate" and that they no longer talked of a "policy of containing or liberating."

Soviet Negotiating Tactics

Khrushchev's fundamental goal in the period of negotiations which opened with the Geneva foreign ministers' conference in May 1959 was not to drive Western forces out of Berlin in some brief period of time, but to bring about a change in the legal status of the Western presence in the city. This change of status, in Moscow's view, would seriously undermine the Western powers' long-standing insistence that their rights in Berlin, based on the unconditional surrender of Nazi Germany, obtain until Germany is reunified by four-power agreement. The Western presence in Berlin under the "occupation regime" challenges the permanence of the partition of Germany, on which Moscow's claim to the permanence of the status quo in Eastern Europe is based.

From the beginning of the Berlin threat in November 1958, Moscow has stated that while it is willing to consider amendments to its free-city plan, these must be directed at ending the "occupation regime" in West Berlin. The Soviet notes of 27 November setting forth the free-

Khrushchev's line of action in developing the Berlin threat was aimed at making the danger of an imminent military clash appear credible to Western public opinion. He showed confidence, however, that he could control the situation and extract heavy political gains without any serious risk of provoking a Western military reaction.

Mikoyan's visit to the United States in January 1959 was intended not only to sound out American official and public opinion on Berlin, but to create

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city plan took the position that the West has "lost the right for preserving the occupation regime" by violating the Potsdam Agreement. Mikoyan took pains to clarify Moscow's actual objective in Berlin in a private talk with the late Secretary Dulles on 5 January 1959. Mikoyan declared that the USSR was not demanding that the Western forces should be withdrawn from West Berlin, but only that the "occupation" be terminated.

Geneva Conference

The three main objectives that guided Gromyko's tactics at the foreign ministers' conference in Geneva in 1959 were: (1) to induce the West to consent to a change in the status of West Berlin which the USSR could interpret as acceptance of the principle that the occupation regime should be ended and that Western forces, as a consequence, should be reduced and ultimately withdrawn; (2) to curtail existing political and economic links between West Berlin and West Germany; and (3) to enhance the international stature and acceptability of the East German regime.

The Soviet delegation succeeded in getting the two German delegations seated at separate tables, although only adjacent to the main conference table. Khrushchev, speaking on 19 June, declared that their participation showed "not only de facto but also de jure recognition of the existence of the two German states."

Gromyko lost no time in moving the negotiations toward the question of an interim agreement on Berlin. He made hints in this direction in the second week of the conference, and on 9 and 10 June he introduced a proposal which would have permitted the West to "retain certain occupation rights" for one year--later extended to 18 months. However, Gromyko adamantly refused to endorse the

"perpetuation" of these rights. His basic objection to all Western proposals for an interim solution was that they were based on an indefinite prolongation of the occupation regime.

The Western ministers repeatedly attempted to elicit an unequivocal response as to whether the USSR would agree that Western rights would be maintained after the proposed time limit on an interim agreement expired, but Gromyko would not be pinned down. Khrushchev vigorously supported his foreign minister on this point with a statement on 6 June that the USSR "cannot under any pressure accept an agreement which perpetuates the occupation regime." This statement was a reply to President Eisenhower's call on 3 June for a clear Soviet commitment reaffirming Western rights in Berlin.

In forcing the deadlock on this key issue of Western rights, the Soviet leaders were confident that the West would have no alternative but to proceed to a summit meeting without any of the previous progress toward a solution on which it had previously insisted. On the day the foreign ministers' conference opened, Khrushchev publicly expressed confidence that a summit would be held regardless of the outcome of the Geneva meeting and hinted that he favored a series of summit meetings. When the first half of the conference ended in stalemate, he predicted on 19 June that a summit meeting "will take place, if not today, then at some later date, because the people of the world demand it."

Khrushchev's Visit to US

The Soviet leaders clearly regarded President Eisenhower's invitation to Khrushchev as a direct result of their power play on Berlin. Soviet officials at Geneva asserted that from the Soviet standpoint, the foreign

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ministers' conference had been a great success, since it had led to the long-sought invitation for Khrushchev to visit the United States and hold talks with the President. They expressed the belief that the invitation signified a basic change in American policy and greater receptivity to an accommodation based on the "global status quo."

Apart from the understanding reached with the President that future negotiations on Berlin should not have any time limit but should not be protracted indefinitely, Khrushchev did not introduce substantive changes in his position on Berlin and Germany. His goal of bringing the West to recognize the status quo in Europe and the "existence of two systems" throughout the world was implicit in his repeated calls for "peaceful co-existence" and an "end to the cold war."

Khrushchev made this point particularly clear in a talk with members of the Senate Foreign Relations Committee. In words that closely parallel his statement in October 1957, he said recognition of the status quo is "the main thing." "There is no other problem, and if that is recognized, we should be able to secure a firm and lasting peace."

Khrushchev's visit ushered in a new phase in Soviet policy. In contrast to the assertiveness and pressure tactics that characterized Soviet behavior from the fall of 1957 through the first half of 1959, Moscow shifted to a conciliatory posture toward the West. Soviet spokesmen hailed the "Camp David spirit" as auguring a new era in East-West relations.

Khrushchev's appraisal of the visit, however, made it clear that peaceful coexistence

is neither an end in itself nor a sign of a basic turn in Soviet policy toward a genuine long-term accommodation with the West. Peaceful coexistence, in Khrushchev's view, is primarily designed to inhibit and limit Western reaction to growing bloc military power and to provide a framework for obtaining unilateral Western concessions through negotiations in the face of this power.

In his speech in Moscow on 28 September summing up his trip, Khrushchev repeated the standard Soviet contention that bloc strength was the main ingredient in the present trend toward "peace." In Peiping on 30 September he assessed Western policy as a reaction to growing bloc strength. "The leaders of many capitalist states," he said, "are being forced more and more to take account of realities and recast their international relations."

Conclusion

Khrushchev has deeply committed his personal prestige and authority in a difficult and extremely delicate diplomatic operation which he clearly believes has already yielded substantial results. He assured the Chinese Communists that it "will gain new victories in the future, too."

If he is to attain the ultimate goals he has set himself, Khrushchev must have a free hand to maneuver and temporize. He must avoid applying excessive pressure on the West which could upset his whole design, and to this end he needs the understanding and support of his satellites, his Chinese allies, and his own subordinates. It would seem that much will turn on his success or failure in winning Peiping's agreement to refrain from any premature testing by force of the stability of the capitalist system.

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## REFUGEE MOVEMENTS IN GERMANY

The number of East Germans fleeing their country has recently sharply increased; during one week in April about 5,400 refugees crossed into free West Berlin, the largest weekly figure since the spring of 1956. This heavy refugee flow, apparently occasioned by the East German regime's intensified pressures against private farmers and businessmen, will aggravate the already serious shortage of manpower in East Germany (GDR), and may prove politically embarrassing to the Soviet Union immediately prior to the summit talks. Since World War II, approximately 3,500,000 Germans have left the Eastern zone for the West; about 1,000,000 persons have moved in the opposite direction.

Of the estimated million who went from West to East Germany in this period, about two thirds had originally come from the East as refugees after the war. Of these, many returned to West Germany for a second time. There are apparently even a number of "three-time refugees."

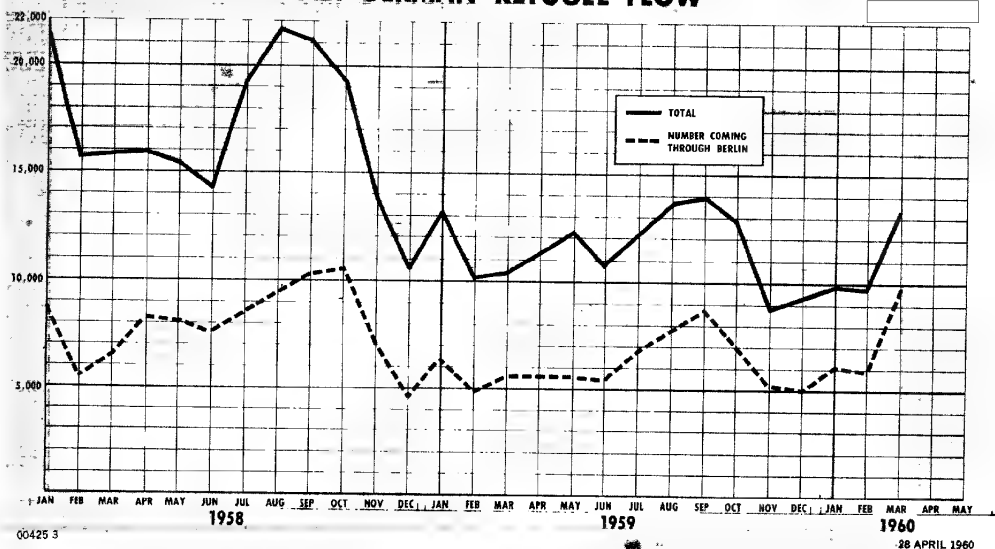
This ebb and flow is a reflection of the uncertain-

ties and disruptions inherent in a divided country. The iron curtain has split families and homes, industries and economically interdependent areas, long-established major transport routes, and social and professional organizations and institutions. However, the ties of centuries have not been broken despite East Germany's rapid conversion to a Communist state. Irresistible attractions of all sorts, but mostly of a personal and family nature, still continue, 15 years after the war, to compel thousands of people to move in each direction every month.

East-to-West Flow

The last two years have seen a flow to the West that--at least until very recently--has reached annual totals substantially lower than during the previous decade. There are many reasons why the rate declined: the earlier mass movements greatly diminished the reservoir of persons able, and sufficiently discontented, to leave their homes to start new lives elsewhere; economic conditions in East Germany improved substantially through the years;

EAST GERMAN REFUGEE FLOW



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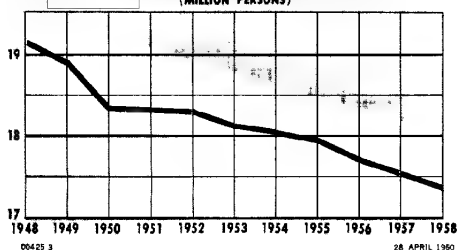
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security measures on the borders are much better now; and control of internal travel in East Germany is more efficient.

During this period of general decline, a major upsurge

**POPULATION OF EAST GERMANY**  
(INCLUDING EAST BERLIN)  
(MILLION PERSONS)



occurred in the summer of 1958 when the refugee movement averaged about 20,000 persons a month. This exodus apparently resulted from the relentless implementation of the hard-line policies in the cultural and economic fields established by the party congress in early July 1958, and from the popular belief at that time that no diminution in political oppression or improvement in living standards was in the offing.

The monthly refugee flow decreased from that time, reaching the low level of less than 10,000 per month during the winter of 1959-60.

Beginning in March of this year, however, there was a marked increase in the refugee flow, reflecting in part normal seasonal changes but also a reaction to East Germany's all-out collectivization drive. Significantly, the greatest increase was in farmers and farm workers. Indications so far suggest that the increased flow has continued throughout April. One report indicates that 5,000 persons--many of them farmers--fled to West Berlin alone during the three-day Easter holiday. As usual on this holiday, the refugees took advantage of the heavy traffic which made detection less likely.

The number of persons who escaped to West Berlin remained

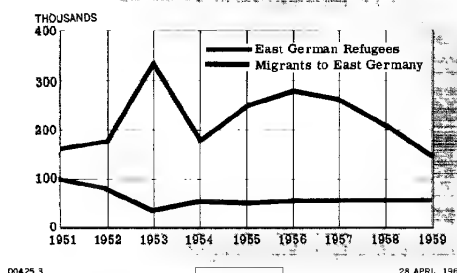
comparatively high in 1959, while the over-all refugee flow decreased. This reflected the relative ease with which the sector border in Berlin can still be crossed, as well as the increasing difficulty in going directly from East to West Germany. Many people who cross directly into West Germany do so legally with exit permits issued by East German authorities allowing them to visit the Federal Republic. They become refugees simply by not going back.

There is now considerably less illegal movement across the well-guarded frontier than in former times. The East German authorities are also becoming increasingly strict in the issuance of exit permits, subjecting applicants to more thorough investigation than heretofore. Permits are refused anyone suspected of being a potential defector.

**West-to-East Migration**

Unlike East Germany, West Germany places no obstacles in the paths of persons desiring to go to the GDR, except for those attempting to escape prosecution for crimes. Bonn maintains that all of Germany constitutes the German nation and that anyone who goes to East Germany is merely traveling within the confines of his

**GERMAN POPULATION MOVEMENTS**



own country. Therefore, such persons are termed "migrants" rather than "refugees." Under the same principle, East German refugees have all the rights of citizenship enjoyed by residents of West Germany.

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No accurate figures are available on the eastward movement of recent years, but Bonn has estimated that about 60,000 have migrated to East Germany during each of the last four years. In 1951 about 100,500 went to the East, about 38 percent of the refugee flow to the West that year. The number of migrants to the East dropped sharply in 1953 as a consequence of the June riots. Since that time the ratio of migrants to refugees has increased slowly. In 1959 the number of migrants jumped to 42 percent of

of the approximately 20,000 persons who were not previously refugees and have gone to East Germany in each of the last few years, about 70 percent have come back. Most migrants seem to go to East Germany for family reasons, but there is also a large number of youths who are looking mainly for jobs or adventure.

**Who Are the Refugees?**

About 60 percent of the refugees who have fled East Germany have been employed persons.

The remaining 40 percent are pensioners, housewives, children, and students. The largest occupational groups have been persons employed in industry and crafts and in trade and transport. These groups have, through the years, included many skilled workers, resulting in a great shortage in East Germany. Losses in other occupational groups, such as doctors and intellectuals, although a low percentage of the total, have also resulted in serious shortages in these categories.

**COMPOSITION OF EAST GERMAN REFUGEES**

OCCUPATION	1958	1959	1960
Farmers & farm workers	4.5%	5.1%	10.8%
Industry & crafts	19.3%	20.8%	21.5%
Technical occupations	2.1%	2.4%	2.6%
Trade & transport	11.6%	12.9%	11.4%
Domestic & health services	5.8%	3.1%	3.9%
Administrative & legal	4.4%	3.3%	3.9%
Intellectuals & artists	2.6%	1.8%	1.7%
Other	10.0%	9.8%	6.9%
Total employed	60.3%	59.2%	62.7%

**AGE GROUPS**

Under 25	48.2%	48.3%	48.7%
25-45	25.2%	21.7%	n. a.
45-65	20.4%	20.6%	n. a.
65 and up	6.2%	9.4%	n. a.

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the refugee total, reflecting the attraction of an increasing standard of living in East Germany and favorable employment opportunities in some trades there.

According to West German government statistics, only about one third of the migrants have actually been permanent residents of the Federal Republic. The balance have been East German refugees who, for various reasons, have gone back. The West German Government has also noted that

The only significant percentile fluctuation in the occupational breakdown of refugees of the past two years was recently noted in the category of farmers and farm workers. From an average of 5.1 percent in 1959, the percentage shot up to 10.8 percent during March 1960, a trend which has probably continued in April. The reason for the increased number of farmer refugees is the swift, relentless, and sometimes brutal collectivization campaign in East Germany. As Ulbricht's collectivization program is implemented later in the year, the flight of farmers will

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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probably increase. Unless the regime does something to stop these flights, the manpower situation in the countryside, always rather tight, will become precarious.

Impact on East Germany

East Germany is apparently unable to seal off its boundaries and stem the refugee flow completely, even though it is causing major manpower difficulties. Instead, a country traditionally well supplied with doctors is importing physicians from Bulgaria. Every year the regime must send army troops, youth group members, students, and others to help out in the fields because of the manpower shortage in the countryside. It has had to entice skilled workers from Western Europe with high pay in hard currency.

This is a situation that can only get worse as the refugee flow continues to offset East Germany's small excess of births over deaths and the population declines. Most of the refugees are young people, so that East Germany is losing mainly persons in their prime reproductive years who could also make the greatest contribution to industrial and agricultural production. Today East Germany has the oldest

work force and the next-to-lowest birth rate in Europe.

While East Germany has in the past been willing to see many dissident and potentially rebellious people leave the country, it now views with concern the continuing loss of essential manpower. Therefore, as the division of Germany is made more permanent by Communist actions to attach East Germany more firmly to the bloc and by the gradual improvement of the regime's international status, the leaders will be more inclined to exert greater security controls to try to minimize the manpower losses.

At the same time, the East German leadership apparently expects conditions within the GDR to improve to such an extent that the country will become attractive to West Germans. In the absence of a serious economic crisis in West Germany, however, the East German manpower situation cannot be improved unless the country's borders are sealed and the freedom of movement sufficiently circumscribed to prevent refugee movements on a large scale.

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## NATIONAL UNITY AND ETHNIC SEPARATISM IN BURMA

The major problem facing U Nu, who resumed the Burmese premiership for a fourth term on 5 April, is still that of creating an atmosphere of intercommunal trust and cooperation in which the country's Burman majority--60 percent of the country's 20,000,000 population--can work with the

ethnic minorities to develop an acceptable national identity. Until this is accomplished, Burmese politics will remain unstable and the union will be in danger of civil war or fragmentation.

On the surface, Premier Nu occupies the most favorable

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position any political leader has held since independence in 1948. His party has an overwhelming parliamentary majority, and he shares his leadership with no other major national figure; his popularity is underscored by his party's overwhelming popular vote in Burma's freest and most peaceful election since independence, and his followers have gained votes from every ethnic group in Burma. Further, the state which General

Ne Win turned over to him is the most peaceful and best administered since independence. The government claims optimistically that the country is 95-percent "safe," and that Communist-inspired insurgency has been virtually eliminated.

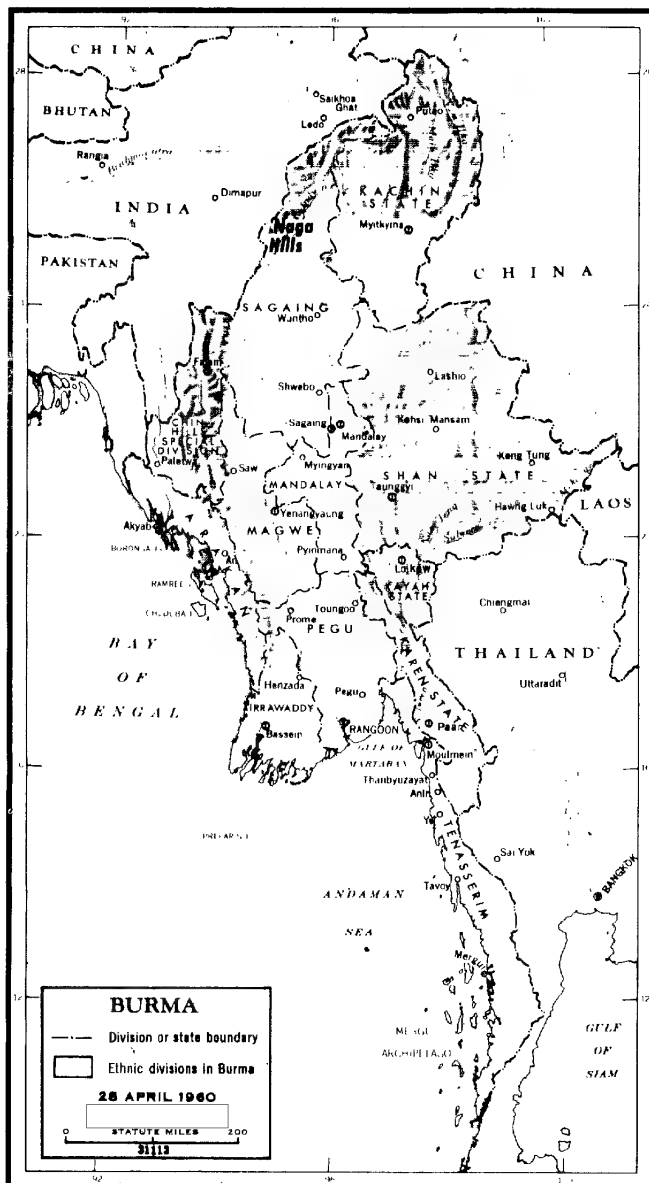
The persistence of dissidence among ethnic minorities is the major obstacle to Burma's ability to devote full attention to its political and economic

programs. From the Karen community--which constitutes 12 percent of Burma's population--about 3,000 men continue under arms from the revolt which started in 1949; some 700 to 900 armed Shans, who opened a military action against the government in 1958, are campaigning for wider support from the Shan community--which constitutes 7 percent of the population.

Communal discontent and distrust of Rangoon among the members of the two groups not in revolt are reported increasing and could easily spread to other minority groups--the Chins of the western border areas, the Nagas, whose territory abuts that of the Nagas of Indian Assam, and the Kachins of Burma's northernmost state.

Minority Discontent

Throughout Burmese history the separate cultural communities have competed for dominance of the country. The Burmans overthrew the Mon culture and absorbed all but a small remnant of the Mon peoples. The Shans, acting as a buffer between the Chinese and the Burmese,



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never fully accepted Burman rule and occasionally dominated the Burman monarchy. Karens and Burmans in mixed settlements, in the Irrawaddy delta and southeastern Burma, have a historic feud.

British rule accentuated all these differences. Minority personnel--particularly the Karens--were accepted into the police and military forces, from which Burmans were excluded, and were used to control the Burmans. The Shans, Chins, and Kachins, known as the "Hill Peoples," were excluded from Rangoon's rule, while the Karenni--now known as Kayahs--were treated as a sovereign people under British protection. When representative government was introduced in Rangoon, the Karens were granted separate communal representation along with the alien groups--Indians, Anglo-Burmans, and British.

The Burman leaders have taken care to gain the minority peoples' support. Burma was established as a union of ethnic states. Each state, except Burma proper, has a limited degree of autonomy from the central government. The five largest ethnic minorities were provided with cabinet ministers for minority affairs, and the Shan, Karen, and Kayah states were accorded the constitutional right of secession. In Parliament, the large minority groups are guaranteed representation in the upper house--the Chamber of Nationalities--out of proportion to their numbers.

On the basis of these assurances, the leaders of the Hill Peoples and the Karens agreed to join the Union. Since independence, the government has made special efforts to single out minority leaders for national honors, the most significant of which has been the presidency. All of these concessions, however, have fallen

short of assuaging minority fears of being forced to give up their identity.

Government Policies

The Burmans feel that their culture is superior, and they recognize a need for creating a common national identity. In striving for this, however, they have injured minority sensitivities. In education, for example, they have declared the necessity of a single national language and have required the use of Burmese in the schools, because 89 percent of the population already speaks Burmese as a first or second language. Further, because the Burmese language is inadequate for international communication, they have required English as the second language for admission to university work. Minority students competing in the educational system thus must master two foreign languages.

The minorities feel that they have also been discriminated against economically. Because of poor security conditions, almost all major government economic development projects have been centered near Rangoon, whereas the minority states in the interior, recognized by the Burmans as economically underdeveloped, have received almost no assistance.

The most serious threat to Burma's concept of union probably derives from the personal antipathies based on intercultural distrust. The Karen revolt of 1949 stemmed directly from the Karens' dissatisfaction with the proposed size of their state. Burman protests had forced the government to reduce the Karen State area below that offered in pre-independence conferences. Burmans retaliated against the insurgents by attacks on the persons and property of noninsurgent Karens. The Mons joined the Karens because

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the government had provided no special status for them.

Another outbreak in 1959 came from the Shans' resentment of the arrogance of Burman Army and civil personnel stationed in their state and from the formal surrender to Rangoon of the hereditary Shan princes' feudal governing rights.

The Arakan Burmans, who view themselves as culturally separate from the Burmans of the Irrawaddy basin, are reportedly growing restless and threatening insurgency as their pleas for an autonomous state continue to be ignored by Rangoon.

U Nu has always been the advocate of moderation and cultural accommodation. It was largely through his influence that the Karen revolt did not become an all-out intercommunal fight and the Karens were kept within the government. Despite U Nu's influence, however, the government's program of "Burmanization" of the national ad-

ministration--intended to eliminate aliens in favor of Burmese citizens--has taken on an anti-minority hue. Anglo-Burmans in high positions have been the objects of discrimination, and Burmans, who are generally better educated than other indigenous groups, appear to have been favored as their replacements. The Karens, especially those who were educated in prewar mission schools, have been looked on as less reliable than others.

The threat of political disintegration because of cultural antipathies is an inevitable problem in Burma's task of creating a unified national state out of its varied ethnic and political units. Given time, these dissident forces should be reduced to relative impotence. However, the speed and effectiveness with which the government accomplishes this will depend primarily on the tact and diplomacy with which U Nu and his administration approach their heterogeneous peoples.

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## WESTERN EUROPE'S INFLATIONARY PRESSURES

The high level of prosperity in Western Europe disposes most countries to join with the United States and Canada in establishing an Organization for Economic Cooperation and Development (OECD) to coordinate Western policy on trade and aid. There are, however, inflationary pressures building up in some Western European countries, particularly Britain. Should national efforts to contain these pressures by monetary and fiscal means prove inadequate, some governments may feel compelled to take pro-

TECTIVE measures incompatible with present proposals for coordinating Western economic policy.

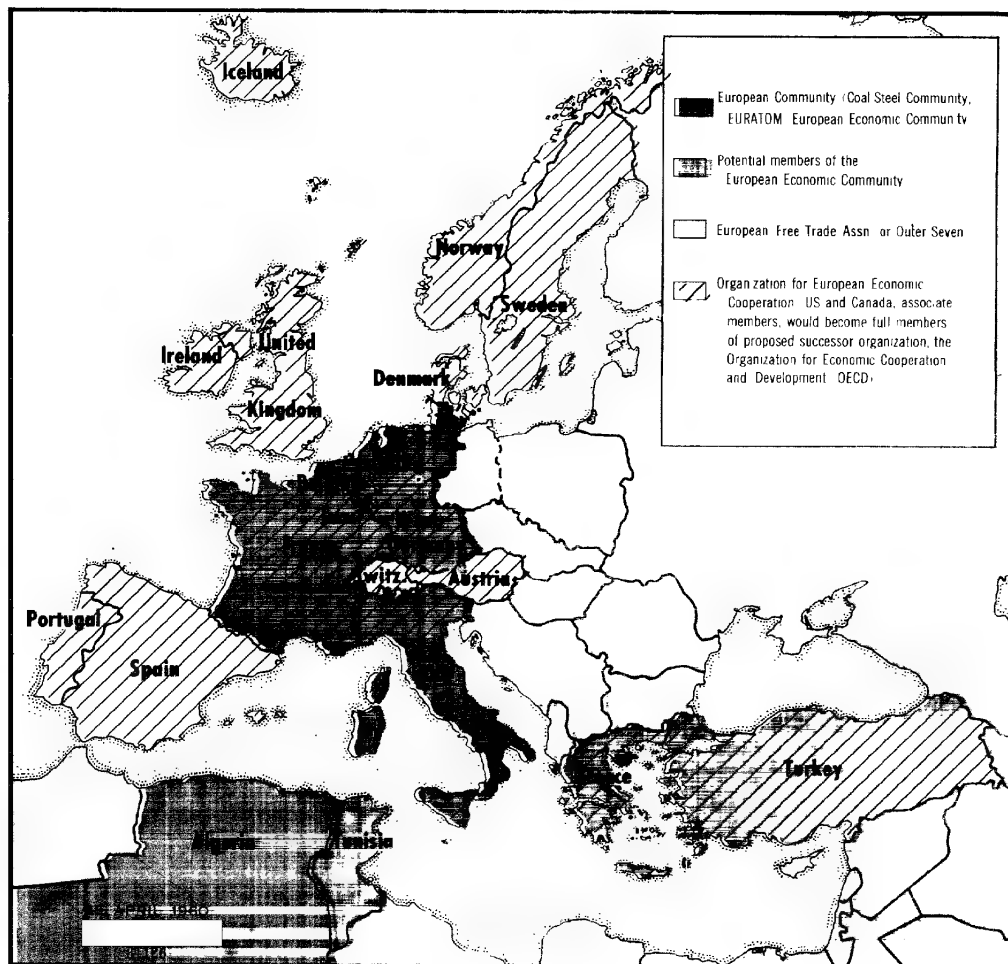
State of European Economy

The strong economic upsurge prevailing in Western Europe since early 1959 promises to persist for the next several months at least. Availability of unused industrial capacity and recent gains in labor productivity have prevented major rises in prices. Most countries except Britain enjoy favorable trade balances and record or near-record foreign exchange reserves.

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In recent weeks, however, symptoms of incipient inflation in the form of aggressive wage demands coinciding with full employment have begun to cast a shadow over this generally favorable picture.

Specialists in the Organization for European Economic Cooperation (OEEC) warned early in April, "In general the economies of member countries are entering a new phase. On the supply side, most of the slack of the recession--mid-1957 to 1959--has been taken up so that the high rate of increase of output in 1959 cannot be repeated through 1960; demand

appears to be continuing at an undiminished rate. As a result, there will be this year increased danger of inflation and greater difficulty in holding to a sustainable rate of advance."

Central banks in Austria, Belgium, West Germany, the Netherlands, and the United Kingdom have already raised discount rates lest present boom conditions lead to a recurrence of inflation.

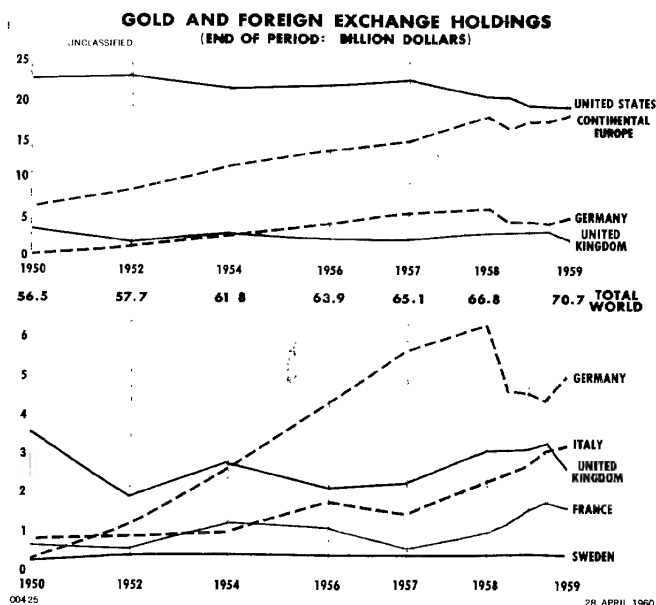
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**France**

Developments within the French economy, particularly as inflation may affect the external fi-

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nancial balance, are of special importance because of France's powerful influence in the European Economic Community (EEC). The French Government is in general successfully maintaining its policies of budget and wage restraint that have made it possible under De Gaulle to combine economic stability with renewed growth and formidable strengthening of the foreign exchange reserves. Recent wage increases in both public and private industry, while not as successful in holding the line

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on inflation as the government had hoped, are believed to be within a range that will not jeopardize the stability of the economy in 1960.

During the past few months, however, bitter demands by farmers for measures to bring their income up to levels prevailing elsewhere in the economy have introduced a new threat to price stability. Any step toward satisfying the farmers' demands will entail higher food prices and thereby strengthen trade union demands for higher wages. Finance Minister Baumgartner's recent intimation that imposition of cash reserve requirements for commercial banks is under consideration suggests that the central bank will apply credit restrictions if the inflationary threat becomes more acute.

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**Economic Climate**

Participation in international economic arrangements tends to be limited by domestic economic difficulties--as illustrated by the near breakdown of cooperation in monetary policy when inflationary stress on finances and currencies hit several OEEC member countries in 1956-1957.

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Resort to the larger resources of the International Monetary Fund (IMF) proved necessary to restore currency stability and financial collaboration. This paved the way for the major move at the end of 1958 among OEEC countries to agree to general convertibility of their currencies in foreign exchange markets abroad.

This precedent of prompt large-scale action by the IMF to head off a general payments crisis, as well as the subsequent increase by 50 percent in its resources, is one of several advantages now enjoyed by Western European countries in contending with inflationary pressures. Most important, however, has been the general diminution of postwar inflationary pressures, as recently emphasized by Per Jacobson, director of the IMF.

In Western Europe, moderation of the vulnerability to inflation that prevailed in the 1950s is evident in greatly improved productive capacity to ease the pressure of demand and in stable or declining prices of raw material imports. The improved productive capacity figured importantly in enabling Western Europe to accumulate large total gold and foreign exchange reserves, which, in themselves, provide a strong base from which to contend with any serious increase in inflationary pressure.

**Prospects**

The adequacy of Western Europe's total foreign exchange holdings in the face of inflationary pressures is limited by their dispersion among several countries and by obstacles to their coordinated use for mutual benefit. The OEEC's former mechanism for mobilizing reserves on a regional basis through mutual extension of credit in the European Payments Union was

practically eliminated with the move to foreign convertibility.

This elimination of restrictions on exchanges and the closely related near-elimination of quantitative limitations on imports, made possible by the growing strength of the Western European economies, paves the way for future growth on a competitive basis. At the same time, however, these improvements expose payments balances and reserves to fluctuations in levels of imports and exports of goods and capital, including those induced by inflation, against which they were previously protected. Under these conditions relatively slight shifts in economic trends have quick and widespread effects.

Conflict of interest between the rival economic groupings of the EEC and the European Free Trade Association (EFTA) might prove an insurmountable barrier to any attempt to restore fuller regional coordination of monetary policy should the need arise.

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The danger that inflationary pressures will prevail against domestic countermeasures to the point of impairing the ability of Western European representatives to cooperate with the United States and Canada to establish and put the OECD into operation now seems remote. Should these countermeasures prove less effective than presently anticipated, the risk of reaching such a point would be greatly aggravated by underlying vulnerabilities.

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